Austria Sch. 20; Bahrain Din 0.650; Belgium BFr 45; Canada C$1.00; Cyprus C£0.75; Denmark DKr 8.00; Egypt E£1.00; Finland Fmk 6.50; France Fr 6.50; Germany DM 2.20; Greece Dr 80; Hong Kong HK$ 12; India Rup 15; Indonesia Rp 3100; Israel IS 3.50; Italy L 1500; Japan Y 250; Jordan Fils 500; Kuwait Fils 500; Lebanon L 25.00; Luxembourg LFr 45; Malaysia Rm 4.25; Mexico Pes 300; Morocco Dh 6.00; Netherlands Fl 2.75; Norway Nkr 7.00; Philippines Pes 20; Portugal Esc 100; S. Arabia Rls 6.00; Singapore S$ 4.10; Spain Pta 125; Sri Lanka Rup 30; Sweden Skr 7.00; Switzerland SFr 2.20; Taiwan NT $65; Tunisia Din 1.375; Turkey L 350; U.A.E. Dh 6.50; U.S.A. $1.00

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D 8523 B

Stoltenberg tells US to act on economy, Page 2

World news | Business summary

Ershad to end martial law rule

President Hossain Mohammad Ershad of Bangladesh hopes to end martial law in his country by the middle of next month. He announced this as results of a poll on Wednesday confirmed his election to the presidential post, which he assumed without a popular mandate three years ago.

President Ershad said he would "look into" allegations of widespread rigging in the polls, although he was not prepared to admit that rigging had taken place. He said he "did not have to rig to win an election." Page 4

Pasok win ruled out

Greece's main communist party has withdrawn support for Prime Minister Andreas Papandreou's ruling Pasok party in Athens, making it virtually impossible for Pasok to win next Sunday's run-off in mayoral elections for the capital. Page 2

Dissident freed

Soviet dissident David Goldfarb left Moscow, his daughter said, on an aircraft belonging to US industrialist Armand Hammer. Goldfarb had resisted KGB pressure to frame US journalist Nicholas Daniloff.

Basque kidnap

Suspected separatist guerrillas kidnapped a Basque industrialist in the first abduction in the region for 10 months.

Bomb injures 15

Fifteen people were injured when a bomb exploded in the out-patients department of a hospital in the Pakistani city of Peshawar near the Afghan border.

Maputo arms plea

Military aid was believed to be the main thrust of the talks in Maputo between the leaders of Zimbabwe and Mozambique, which is suffering from setbacks in its prolonged war with right-wing anti-government rebels.

El Salvador plea

The US is to be asked to lead an international campaign for $1bn aid to rebuild El Salvador after last week's earthquake. Secretary of State George Shultz is visiting the country. Page 5

Pakistan air space

US Secretary of Defence Caspar Weinberger said the US and Pakistan agreed that Islamabad urgently needed an early warning system in the air to stop violations of Pakistani air space and bombing of its borders. Page 4

Austrian manifesto

Dr Franz Vranitzky, Austria's socialist chancellor, has presented his party's manifesto for next month's general election emphasising the need for economic reform while maintaining the gains of a welfare state. Page 4

Beirut doctors strike

Casualty department doctors demanding better security are on a three-day strike at Beirut's American University Hospital. The stoppage was called after a doctor was beaten up by a policeman seeking priority treatment for a friend.

Nigerian wins prize

Nigerian playwright Wole Soyinka became the first black Nobel literature prizewinner and the first African to gain the award. US Professor James Buchanan of Virginia won the Nobel prize for economics for discoveries showing the link between political decisions and a nation's economic performance. Page 20

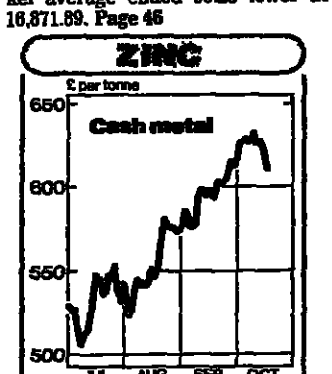
Continental Illinois stake to be sold

US GOVERNMENT announced plans to sell a third of its stake in Continental Illinois, the big Chicago bank which had to be rescued after a run on its deposits in 1984. Page 21

WALL STREET: The Dow Jones industrial average closed 4.50 up at 1,836.19. Page 46

LONDON was hesitant ahead of the Mansion House speech by Nigel Lawson, Chancellor of the Exchequer. The FT-SE 100 index fell 2.5 to 1,605.0 and the FT Ordinary index gained 1.20 to 1,277.6. Page 46

TOKYO: After fluctuating wildly, prices closed lower for the fourth consecutive trading day. The Nikkei average ended 98.23 lower at 16,871.89. Page 46



ZINC prices came under pressure in thin trading on the London Metal Exchange. An £8.50 fall in the cash position to £510 a tonne took the decline so far this week to £16. Prices initially moved up but this was not sustained. Page 38

DOLLAR closed in New York at DM 1.9770; SFr 1.6215; FFr 6.4760 and Y154.27. It rose in London to DM 1.9745 (DM 1.9740); SFr 1.6180 (SFr 1.6145); FFr 6.4675 (FFr 6.4650), and Y154.25 (Y154.15). On Bank of England figures the dollar's index rose to 108.8 from 108.7. Page 39

STERLING closed in New York at $1.4360. It fell in London to $1.4370 ($1.4400). It also fell to DM 2.8375 (DM 2.8425); FFr 9.2950 (FFr 9.3100); Y221.75 (Y222.00), but was unchanged at SFr 2.3250. The pound's exchange rate index rose 0.1 to 67.7. Page 39

GOLD rose $2.50 on the London bullion market to $425.75. It also rose in Zurich to $425.625 from $423.875. In New York the December Comex settlement was $427.40. Page 38

PHILLIPS, UK auction house, has opened talks which could lead to it buying a stake in its larger rival, Christies International. Phillips made clear it had no intention of making a full bid. Page 20

COCA-COLA, leading US soft drinks group, boosted third-quarter earnings by 21 per cent on the back of a 30 per cent increase in turnover. Page 23

AMERICAN EXPRESS, US financial services and travel conglomerate, increased its third-quarter net income by 19 per cent to $293m which has boosted its nine-month earnings to $973m. Page 21

US COMMERCE Department, reversing an earlier decision, has ruled that the Candian Government is subsidising lumber exports to the US and has imposed a temporary 15 per cent duty on softwood imports from Canada. The move will increase pressure on the Canadian Government to try to reach a negotiated settlement of the dispute.

US UTILITY group, Public Service of Indiana, has reportedly received an offer of $17 a share from an investor group led by William Ruckleshaus, former head of the US Environmental Protection Agency.

MERCK, a leading US pharmaceuticals group, lifted third-quarter net income by 27 per cent to $173m or $1.34 a share, against $136.1m or 95 cents last time. Nine-month earnings climbed to $503.9m or $3.59 against $405.5m or $2.83 in the previous year.

TEXAS AIR, leading US airline which is to take over the troubled, cut-price People Express, has advanced a further $10m to People. Page 22

Nato 'not properly consulted' by US over arms talks

BY DAVID BUCHAN IN MONS AND PATRICK COCKBURN IN MOSCOW

THE TOP Nato military command has expressed its strong "displeasure" at not being properly consulted by the US Administration on arms control proposals in either the run up to, or the aftermath of, the Reykjavik meeting between President Ronald Reagan and Mr Mikhail Gorbachev.

In an extraordinarily frank interview, Gen Hans-Joachim Mack, the West German Deputy Supreme Allied Commander in Europe, said yesterday that Gen Bernard Rogers, his US superior, had complained a week before the meeting to Mr Caspar Weinberger, the US Defence Secretary, that the Allied Command had not been given enough notice of proposals to reduce medium-range missiles in Europe.

Gen Mack said that the general "displeasure" of the Supreme Headquarters Allied Powers and Europe (Shape) with US negotiating tactics had been compounded since Reykjavik.

Nato military concerns that an isolated elimination of medium-range missiles in Europe might endanger the Alliance strategy of flexible response had been ignored.

Making clear he was speaking for Gen Rogers and the Shape command, Gen Mack admitted the "quick developments" at Reykjavik had made it hard for the Reagan Administration to keep all informed. But he said it was "unacceptable" that Shape should be still largely in the dark four days after the meeting.

The Nato military complaints came as the Soviet Union sought to clarify the confusion in the wake of the Iceland meeting over Soviet intentions at the Geneva arms talks.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said Moscow was prepared to negotiate separately on medium-range nuclear weapons at Geneva, but not to sign any agreement with the US unless the rest of the package, including a ban on the development of President Reagan's Strategic Defence Initiative – Star Wars – was also agreed.

The Soviet spokesman's comments appear to clarify those of Mr Victor Karpov, the Soviet chief negotiator at the Geneva talks, who gave the impression in London and Bonn earlier this week that the agreement reached in Reykjavik to eliminate medium-range missiles for Europe – keeping only 100 in the Soviet Far East and the US – might be signed even if the SDI programme went ahead.

The substance of the Shape complaint is its fear that abrupt reduction in the planned force of 572 cruise and Pershing missiles to zero as discussed at Iceland, or even to 100 as discussed earlier in Geneva, would leave Nato naked against shorter-range missiles.

The Soviet Union has more than 900 shorter-range missiles (SS-21s SS-22s and SS-23s) of up to 1,000 km range, Shape officers say.

In Iceland, the US and Soviet Union discussed setting a ceiling on these weapons at the current Soviet level (the US has only 72 Pershing 1 missiles of comparable nature) and beginning negotiations on reductions.

The basic fear at Shape headquarters in Mons is that a zero option Euromissile deal would take Nato back to the late 1970s.

Poll backs Reagan stance, Page 5

Lawson sees no change in UK monetary strategy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL LAWSON, the UK's Chancellor of the Exchequer, yesterday indicated that there were clear limits to the extent to which he was prepared to see sterling fall against other currencies, but that he planned no major changes in his present monetary strategy.

In his annual speech at the City of London's Mansion House, Mr Lawson said that both Government's financial strategy and its implementation remained "precisely" as set out in an earlier speech this year and at the Mansion House last year.

Referring to sterling's sharp depreciation since the beginning of this year Mr Lawson said that given the precipitate collapse of the oil price it had been "inevitable and indeed necessary" that the exchange rate should fall. That would allow non-oil exports to rise to offset at least "the greater part" of the fall in oil export revenues.

"But there are clearly limits to the necessary and desirable extent of that fall," he said. The pound's most recent decline, along with an acceleration in the growth rate of the narrow money supply indicator, Mo, had been the main reason for this week's 1 point rise in interest rates to 11 per cent.

In his comments on the forthcoming deregulation and internationalisation of London's financial markets later this month – the so-called "Big Bang" – Mr Lawson gave a firm warning that the Government expects British companies to receive similar treatment in other financial centres.

"We welcome those of all nations to the City of London. But the Government is committed to obtaining reciprocal treatment for British firms in other financial centres."

He made it clear that he was particulary concerned over the treatment of British companies in Japan.

"As an ultimate sanction, the Financial Services Bill, shortly to become law, will give the Government statutory powers to refuse to authorise, or to restrict or even to remove the authorisation of, any financial institutions whose national authorities do not provide reciprocal treatment for British firms."

Mr Lawson made no mention of possible British membership of the European Monetary System's (EMS) exchange rate mechanism as a means to stabilise the pound. The Treasury indicated last night that the position on EMS membership was unchanged from that presented in Mr Lawson's Lombard speech in April.

At that time he indicated that he looked favourably on full EMS membership but that the Government had not yet decided that the time was right to join. He made it clear, however, that any attempt to "shadow" European currencies outside the EMS was seen as impracticable.

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Mansion House speeches, Page 14; Editorial comment, Page 18; Money markets, Page 39

Navistar plans to raise $700m

BY WILLIAM HALL IN NEW YORK

NAVISTAR International, the US heavy duty truck manufacturer which changed its name from International Harvester earlier this year, has announced a major recapitalisation and a top management reshuffle in a final step to shake off memories of its financially troubled past.

The Chicago-based company, which went through three financial restructurings in the early 1980s in a bid to avert bankruptcy, yesterday unveiled plans to raise close to $700m by offering 110m shares to the public in a move which will double the number of shares in issue. Navistar shares, which have traded between $11⅝ and $8⅛ over the last year, fell by $⅛ to $8⅝ in early trading yesterday.

The company also announced that Mr Donald Lennox, Navistar's 67 year-old chairman and chief executive, who has headed the group for the last four years, will retire at the end of February 1987. His job is being effectively split between two heirs apparent.

Mr James Cotting, Navistar's 53 year-old chief financial officer and the architect of the group's financial recovery strategy, will become chairman and chief executive of a newly formed holding company, and Mr Neil Springer, the group's 48 year-old president and chief operating officer, will become chairman and chief executive of the truck and engine operations, Navistar's main business.

The group says that the new holding company structure will "facilitate development of new businesses and better define management responsibilities for the operation of Navistar's businesses."

Navistar says that the planned recapitalisation is designed to provide the company with an improved capital structure and lower interest costs. Some $624m of the proceeds from the stock offering will be used to redeem four high-interest debt issues, and the company intends to eliminate the arrears on its Series C preferred stock by issuing a new Series G preferred stock.

The company says that the debt redemptions will save it $86m a year in interest expenses. In addition, its long-term debt will be reduced from $738m to $222m and its equity base will be increased to $613m. This will reduce the ratio of long-term debt to capitalisation from 57.6 per cent to 26.6 per cent after absorbing a $116m non recurring loss associated with the debt redemption. The loss will be recorded in fiscal 1987.

Navistar will hold a special meeting of stockholders on December 3 to vote on the proposed recapitalisation. The company also notes in its preliminary prospectus that over the next three to five years it expects to eliminate its unfunded vested pension liability, which at the beginning of the year stood at $376m.

Mr Lennox, referring to the top management changes, said yesterday that it was "an appropriate time to pass the leadership of the company on to people who have been tested by the operational and financial challenges of the past five years, and most important, possess the vision to lead the company successfully into the future."

France and Britain stress need for nuclear deterrent

By Robert Mauthner, Diplomatic Correspondent in London

BRITAIN and France yesterday stressed the importance of maintaining nuclear deterrents as the basis for the West's defence.

The two countries' position was reaffirmed during informal talks in London between Mrs Margaret Thatcher, the British Prime Minister, and President François Mitterrand of France.

The meeting, which took place at Mr Mitterrand's request, was devoted mainly to an analysis of the outcome of last weekend's summit between President Reagan and Mr Mikhail Gorbachev, the Soviet leader.

At a press conference after the meeting, Mr Mitterrand categorically stated that France could not renounce its nuclear strategy which was the basis of its defence.

The statements by the two sides were seen as a timely reminder to the US that Britain and France remained sceptical about claims that President Reagan's Strategic Defence Initiative, the space-based defensive system, could allow strategic nuclear arms to be dispensed with in the near future.

However, it was understood that the British and French governments had not modified their basic position. They would be prepared to negotiate reductions in their own nuclear forces once the US and the Soviet Union agreed on substantial cuts in their nuclear arsenals.

Mrs Thatcher and Mr Mitterrand welcomed the progress which appeared to have been made in Reykjavik, but emphasised that they wanted to see the negotiations between the US and the Soviet Union on arms control continue on the basis that nuclear forces remained the cornerstone of the West's defence.

In particular, they hoped to see progress made at Reykjavik on a 50 per cent reduction in strategic nuclear weapons, medium-range nuclear weapons and chemical weapons to be translated into balanced agreements providing for effective verification systems.

Both Britain and France fear that a substantial reduction of US nuclear weapons would leave them vulnerable to the overwhelming superiority of Soviet conventional forces.

Commenting on the outcome of the Reykjavik meeting, Mr Mitterrand said the summit had been "somewhat improvised." Though progress had been made, it was normal that such an exercise had its limits. What was important was the next full summit.

Israeli bomber shot down over Lebanon

BY ANDREW WHITLEY IN JERUSALEM

AN ISRAELI fighter-bomber was shot down over Southern Lebanon yesterday as the country's air force bombed a camp near Sidon in retaliation for Wednesday's grenade attack in Jerusalem.

The Palestine Liberation Organisation has claimed responsibility for the grenade blast at the Wailing Wall, Judaism's holiest shrine, in which one person died and almost 70 people were hurt.

Last night Beirut radio reported that Israeli troops had landed near the port of Sidon, scene of the air raid, sparking speculation that a rescue operation had been launched for the two-man crew of the downed fighter-bomber.

Eye-witnesses said waves of Israeli bombers had strafed the Palestinian refugee camp of Mieh Mieh, a stronghold of Mr Yassir Arafat's Fatah organisation.

Early reports said four people were killed and 10 wounded as the Israeli aircraft repeatedly bombed the crowded camp. Streams of missiles were fired at the aircraft, but the raiders reportedly dropped decoys to deflect the missiles from their targets.

However, one missile struck home, hitting an F4E Phantom, which eye-witnesses said exploded in a ball of flame. The two-man crew were seen to parachute out, landing in an olive grove 4 miles south-east of Sidon.

It was the first Israeli-manned aircraft to be shot down since the first days of the Lebanon war in June 1982, when a Skyhawk was brought down by ground fire. Unmanned spotter drones have been downed on several occasions over Lebanon.

A local commander of the Lebanese Shia militia, Amal, said one of the Phantom's crewmen was dead

Israeli President Chaim Herzog will today ask Mr Yitzhak Shamir, the Foreign Minister, to form Israel's next government.

The announcement came after Mr Shamir, leader of the right-wing Likud bloc, and Mr Shimon Peres, the Labour Prime Minister, resolved their three-day dispute over government posts, clearing the way for their planned job swap.

Israel's parliament was expected to meet on Monday to endorse Mr Shamir, who will begin his 25-month term.

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Storm brews over UK visa demands

BY ROBIN PAULEY AND MICHAEL CASSELL IN LONDON

A MAJOR political storm was gathering force last night over Britain's decision to insist that visitors from the Indian sub-continent should hold visas before starting their journey.

The world's busiest airport has been the scene of unprecedented scenes this week as a result of visitors trying to beat the deadline of midnight last Tuesday.

Visas are also to be introduced for visitors from Ghana and Nigeria but a no deadline has yet been announced.

The visa system has been introduced against the vigorous opposition of the UK's own Foreign and Commonwealth Office, which argued it was unnecessary, counter-productive and likely to lead to extreme and harmful pressure of British diplomatic posts overseas.

As the long queues of people trying to get beyond Heathrow's immigration desks slowly subside, the repercussions are still building up. Mr Rajiv Ghandi, the Indian Prime Minister, has charged Britain with overt racism; Bangladesh has retaliated by announcing a visa requirement for all Britons visiting the country; and British diplomats in New Delhi have reported near chaos at the British High Commission which has not yet received extra staff to deal with the queues of people seeking visas. A further 35 diplomats are to be posted to the five countries but none has left Britain yet.

In addition, a row is brewing around the heads of the US Home Office ministers who will have to defend the week's events as soon as parliament reassembles next week.

Mr Douglas Hurd, Home Secretary, and his junior minister, Mr David Waddington, have attracted allegations of racism while muddying the issues of tourism and immigration in their attempts to respond to complaints of intolerable pressures of work from the airport's immigration officers.

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EUROPEAN NEWS

RADICAL PROPOSALS EXPECTED TO FOCUS ON NEED FOR FARM SPENDING CURBS

EEC prepares to tackle budget crisis

BY QUENTIN PEEL IN BRUSSELS

RADICAL ways of dealing with the European Community's rapidly deteriorating budget crisis are expected to be proposed in the coming weeks, both by the European Commission and other EEC institutions.

A far-reaching debate on the future shape of the Community is being promoted by the Commission and Mr Jacques Delors, its President, in an effort to prevent the member states becoming bogged down in a "sterile confrontation" over national contributions to the EEC budget.

One plan drawn up by the budget committee of the European Parliament and due for debate next week proposes setting up a special fund for the disposal of surplus Community food stocks – a big financial burden on the annual budget, which now runs at Ecu 36bn ($37.8bn).

The fund would be financed by special contributions by only 10 of the 12 member states – excluding Spain and Portugal, which only joined last January – according to the committee proposal. Critics say it would be regarded as a "war chest" for subsidising agricultural exports.

The report, drafted by Mr Enrique Baron, a Spanish Socialist member, also proposes wider use of Community borrowing powers and a share in national energy taxes (on cars and petrol) as other sources of finance for Brussels.

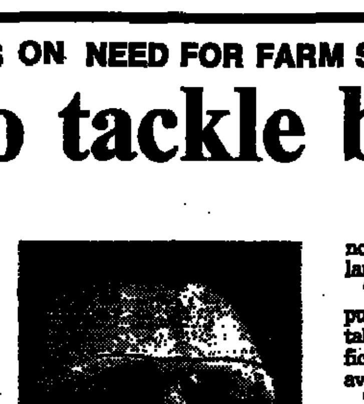
The Community is now confidently expected to exhaust its available finance in the course of 1987, although member states increased the ceiling on their contributions from value-added tax from 1.0 to 1.4 per cent only last January.

Another report, drawn up by the Centre for European Policy Studies in Brussels – with assistance but not political direction from the European Commission – is due to be published on Monday.

What all the proposals have in common is recognition of the paramount need to bring agricultural spending under control and prevent the cost of the Common Agricultural Policy from overwhelming any other new policies proposed by the European Commission or the member states.

One proposal floated within the Parliament's budget committee which met in Brussels this week is that MEPs should refuse to approve any supplementary budget in the course of 1987 unless they were convinced that the EEC farm ministers had embarked on substantial agricultural reform.

The Commission itself is supposed to report to the member states by the end of the year on the whole budget situation – including the adequacy of existing funds; the exercise of budgetary discipline and the whole question of the budget reductions given to the UK and West Germany as major net contributors.



Commission President Jacques Delors: seeks far-reaching debate

What Mr Delors and his fellow Commissioners are most worried about is that the decision on future finance will be bogged down in a battle between the budget "disciplinarians" led by the UK, West Germany and the Netherlands, and the "big spenders" of the Mediterranean region – Italy and Greece and now Spain and Portugal, with Ireland in strong support.

"It is dangerous and useless to put a complete package on the table," said a senior Commission official. "We must find a means of avoiding a sterile confrontation."

The whole subject is due to be discussed by the 17-man Commission at a closed-doors weekend in early November, after an initial debate 10 days ago.

What now seems increasingly likely is that the Commission will not simply ask the member states for more cash – an increase in the VAT ceiling from 1.4 to 1.6 per cent in 1988, as foreseen at the Fontainebleau summit in 1984 – but rather urge the heads of government and their ministers to start with the question of the policies they want to promote in the EEC.

The two major spending areas of the Community – the CAP and the so-called structural funds covering social and regional spending – are in need of radical reform, the official said.

"If a majority of countries believe that the structural policies are only a means of budgetary transfer, then why not get rid of them and simply do it by adjusting their budget contributions?" he asked. "At what level can they be seen as genuine economic instruments, and not simply a means of transferring cash?"

On reforming the CAP, the question is not simply one of limiting budget spending, but rather of coming to terms with a food surplus on the world market.

Officials in Brussels believe the member states must be prepared to consider an agricultural policy which gives the different governments more room for manoeuvre. They also must realise the very damaging effect such a partial "renationalisation" might have on the economy of a poorer member state such as Ireland.

The first debate on the longer-range future of the EEC is likely to come at the next EEC summit chaired by Mrs Margaret Thatcher, the British Prime Minister, in London in December. The real negotiations, however, will only take place next year under the Belgian presidency.

The actual budget for 1987 is due to be given its first reading in the European Parliament in early November, before being reconsidered by the EEC budget ministers and finalised in December.

The biggest unresolved question is how to finance the disposal of the food stocks, valued on paper at more than Ecu 10bn but worth less than Ecu 5bn at current market prices.

Ozal set to reshuffle Cabinet

By David Barchard in Ankara

TURKEY'S Prime Minister, Mr Turgut Özal, is planning a series of measures, including a Cabinet reshuffle, to spruce up the image of his 34-month-old government which recently suffered a serious setback in key by-elections.

Mr Özal is thought to have submitted details of a Cabinet reshuffle to President Kenan Evren yesterday, and announcement of the changes is imminent.

Mr Hüsamettin Cindoruk, leader of the opposition True Path Party (TPP), has warned that if any members of parliament lose their seats after crossing the floor to his party, his deputies will resign in protest and trigger a fresh round of by-elections.

Under Article 84 of the Turkish Constitution introduced in 1982, if a deputy changes parties, he automatically loses his seat and is disbarred from standing for parliament in the next elections.

If the TPP carries out its threat and forces 20 by-elections through resignation, the ruling Motherland Party is likely to be severely embarrassed.

The Social Democratic opposition is also launching a series of major attacks on the government.

Communists to boycott Pasok in Athens

By Andriana Ierodiaconou in Athens

THE PRO-MOSCOW Communist Party of Greece (KKE) has decided not to support the governing Socialists (Pasok) in Athens in run-off mayoral elections on Sunday, but has instructed followers to vote for Socialist candidates wherever they are pitted against conservatives outside the capital.

The KKE, together with the small Greek Eurocommunist Party (KKE-es) holds the balance of votes between Socialist and conservative opposition candidates in the three major cities of Athens, Piraeus, and Salonika, as well as a number of additional municipalities around the country, following the first round of voting for mayors and city councils nationwide last weekend.

The Eurocommunists have told their supporters to back Pasok across the board in the second round.

Put economy in order, Stoltenberg tells US

BY DAVID MARSH IN BONN

MR Gerhard Stoltenberg, the West German Finance Minister, yesterday called on the US to put its economic house in order as Mr Helmut Kohl, the Chancellor, prepared for what could be difficult talks in Washington next week with President Ronald Reagan.

Mr Stoltenberg also ruled out any immediate cut in West German interest rates.

Mr Kohl is visiting Mr Reagan on Monday for a meeting which should give the US Administration a chance of explaining to the West Germans its hopes and conditions for a disarmament agreement with the Soviet Union.

West German Government officials say that Mr Kohl had been banking on a breakthrough at the Reykjavik summit last weekend to lend a "triumphant" spirit to next week's Washington meeting.

Mr Kohl is hoping that the superpowers will weather last weekend's setback and find a rapprochement on nuclear arms not only to lower general international tensions but also to aid the centre-right coalition Government during the run-up to West Germany's January general elections.

Mr Kohl has come under strong pressure from the Social Democratic party (SPD) Opposition in the past few days over his unstinting support for Mr Reagan's Strategic Defence Initiative which was the chief obstacle preventing agreement in Iceland.

Although it will not be the central issue, the tone of Mr Kohl's Washington talks is also likely to be coloured by persistent American demands that West Germany should take further steps to stimulate its own and the world economy.

Mr Stoltenberg, speaking in the federal Parliament (Bundestag) yesterday, again spelled out that West Germany was not willing to take short-term stimulatory action to alleviate the balance of payments problems of the US.

Mr Gerhard Stoltenberg

Suggesting that the US should instead concentrate on increasing the competitiveness of its own economy, Mr Stoltenberg ruled out any loosening of West German monetary policy.

A further cut in the discount rate of the Bundesbank, the West German central bank, at present held at 3.5 per cent, was not likely, on the grounds that West German money supply was growing at well over the 1986 target rate, Mr Stoltenberg said.

Mr Stoltenberg's comments yesterday underline a new found self-assertiveness by West German economic policy makers following the International Monetary Fund meeting in Washington two weeks ago.

Mr Stoltenberg said yesterday that any further fall of the dollar would increase inflationary expectations in the US and could lead to higher interest rates.

Shipbuilders urged to cut jobs by third

BY WILLIAM DAWKINS IN BRUSSELS

WESTERN EUROPE'S ailing shipbuilders need to shed a third of their production capacity in the next few years if they are to maintain profitability, the European Commission has warned.

That means between 25,000 and 30,000 shipbuilding jobs must go between now and mid-1987, rising to 40,000 or 45,000 by the end of 1989.

Redundancies on that scale would bring capacity utilisation down to 70 per cent of its present level by the end of the decade, the Commission estimates.

It anticipates that the capacity rate would later return back to 80 per cent, the minimum at which Brussels considers the sector can be profitable.

Those figures form the basis of the Commission's final proposals, first outlined in the summer, for a new five-year set of subsidies and controls to replace existing shipbuilding regulations due to expire at the end of this year.

The Community's funds will have to provide more than Ecu 180m (£132m) in the years to 1989 alone to aid social and regional projects to find new work outside the sector for redundant shipyard workers, the Commission believes.

EEC Industry Ministers will debate the general principles of the Commission's new shipbuilding proposals next week, but are not expected to reach a final accord on the details until the end of the year.

The objectives of the new regulations differ significantly from the present set which permit subsidies on conditions that they are linked—in practice loosely—to capacity reductions.

Now the Commission is trying to establish a more focused system which encourages older and less-efficient yards to restructure, while channelling production subsidies only to the more innovative and specialised shipbuilders.

The Brussels authorities are also asking member states to intensify their own efforts to stimulate alternative industries in shipbuilding regions.

Diet hazards strike E. European males

BY LESLIE COLITT IN BERLIN

A LETHAL combination of excess alcohol, tobacco, animal fats, pollution and stress has driven up the mortality rate of East European men to the highest in Europe.

The phenomenon of a declining life expectancy among working-age East European males is of growing official concern because of a worsening manpower shortage and soaring expenditure for medical care.

But it is Hungary which has the lowest life expectancy in Europe for men – 65.5 years – and the highest mortality rate among males between 35 and 60.

Dr Imre Oery, Director-General of the Hungarian Ministry of Health, said in a recent interview that Hungary had the world's highest death rate from heart and circulatory diseases, as well as fast-growing lung cancer. Smoking, he noted, began at an early age and consumption of hard liquor, much of it illegally distilled, was high.

Dr Oery said stress caused by emotional instability was another factor in the rising mortality rate. Large numbers of Hungarians had left rural areas for the cities since 1945 and in recent years 60 per cent of the population had moved into new housing.

Purchase of a new flat or home, however, had now become a "source of crisis" he said.

In neighbouring Romania, life expectancy for males at birth fell to 66.9 years in 1984, from 67.4 years in 1978.

Much food in Romania is rationed but alcohol and cigarettes are in ample supply.

Prof Wieslaw Magdzik, director of Poland's state office of hygiene, noted in an interview last month that the life expectancy of Polish men fell to 66.8 years in 1984 from 67.3 in 1975. A 10-year-old Polish man had a life expectancy of 39.7 years in 1984, compared with 41.7 years in 1965.

Heart and circulatory diseases are the main cause of death, followed by cancer, particularly lung cancer, and accidents including death from intoxication. Tobacco consumption rose 67 per cent from 1966 to 1980 and the 10 per cent annual rise in lung cancer was East Europe's highest.

Years before Mr Mikhail Gorbachev, the Soviet leader, began his anti-alcohol campaign, Poland launched its own in 1982. Alcohol can only be bought after 1pm and employees may not go to work intoxicated or drink on the job.

The statistics at least show that vodka consumption has fallen from a peak of 6 litres per capita annually in 1980, to 4.2 litres in 1982.

Prof Magdalena Sokolowska of the Polish Academy of Sciences blamed post-war industrialisation and urbanisation for most of the ills which caused the mortality rate to rise. Consumption of tobacco, alcohol and fats soared.

Belgian coalition leaders meet king over crisis

BY TIM DICKSON IN BRUSSELS

LEADERS OF the Christian Democrat and Liberal parties met King Baudouin yesterday as the Belgian monarch continued his search for a solution to the country's political crisis.

Hopes were still high in Brussels last night that the centre-right coalition of Mr Wilfried Martens could be re-grouped following the Prime Minister's decision to offer his resignation to the Palace on Tuesday afternoon. This has been "held in abeyance" pending consultations by the King.

Much could depend on what happens today in the Fourons, a Flemish commune near the Dutch border at Maastricht, where the long-standing election of Mr Jose Happart, a French-speaking mayor, was recently annulled on the grounds that he cannot speak the official local language.

Government divisions over how to react to the case of Mr Happart precipitated this week's crisis but he could be back in the news this morning, if (as is widely expected) he is elected to the post of first alderman.

In such a position he would be the de facto mayor, thus posing a further challenge to the Flemish-speaking political parties and to the coalition's chance of survival.

The Belgian business and financial community, meanwhile, is pinning its hopes on a speedy solution to the problem without fresh elections.

The Federation of Belgian Enterprises has appealed to all "responsible" politicians, stressing that stability must be maintained.

The Brussels Bourse, which fell by more than 1 per cent on Wednesday, was nervous again yesterday as some investors worried about the future of the Government's tough BFr 200bn (£3.3bn) package of budget cuts.

Dutch parliament likely to probe housing subsidies

BY LAURA RAUN IN AMSTERDAM

THE DUTCH parliament is expected to launch an official inquiry into possible fraud involving Fl 200m (£62.5m) or more in alleged overpaid subsidies for housing construction over the past three decades.

A parliamentary commission decided yesterday to recommend a formal inquiry with subpoena powers and a majority of MPs have expressed their support.

It will be only the third time this century that such a serious inquiry has been mounted, although no government crisis is threatened at the moment.

Inflated subsidies are alleged to have been systematically paid to the huge ABP pension fund to help finance much of the Netherlands' postwar housing.

A former ABP director and a real-estate broker have already been charged with receiving about Fl 1m from the building industry in exchange for contracts. Both men have pleaded innocent to the charges arising from a three-year investigation by the Justice Ministry.

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EUROPEAN NEWS

FINE GAEL CONFERENCE

FitzGerald faces challenges on all fronts

BY HUGH CARNEGY IN DUBLIN

FINE GAEL, the senior partner in the Irish coalition, opens its annual conference today, at which the main focus will be on how Dr Garret FitzGerald, the Prime Minister, deals with the severe economic and political difficulties facing the Government.

The most immediate challenge for the Fine Gael-Labour coalition, which must call an election within the next 12 months, is a vote of no confidence tabled by the opposition Fianna Fail Party to be taken next Thursday, the day after the Dail (lower House) resumes after the summer recess.

With the coalition and all opposition parties tied in 82 seats each, the present betting is that the Government will just survive, relying either on the support of an independent member or on the casting vote of the Speaker.

Similarly, it is banking on defeating on Wednesday a move by Fianna Fail, which has a clear lead in the opinion polls, to call a by-election in a vacant seat the opposition is sure to win.

An upset caused by disgruntled Government backbenchers is not ruled out, however, and in his efforts to steady the ship in his conference speech on Saturday evening, Dr FitzGerald will also have to tackle the economic uncertainties surrounding the Government.

Interest rates have pushed up by 2 per cent this week and further increases are expected in response to a flow of funds out of Ireland, mainly into sterling, prompted by the weakness of the British currency which is seen as cheap in Ireland which trades heavily with Britain.

Against this background, Dr FitzGerald and Mr John Bruton, his Finance Minister, are stressing the need for continued austerity and have indicated they see no alternative to more spending cuts in the January budget.

This prospect is not relished by Labour and Government spokesmen admit that failure to agree a budget is the likeliest cause of any break up of the coalition and an early election.

Call for EEC aid to fight Portuguese forest fires

By Diana Smith in Lisbon

THE MAYOR of Lisbon, Mr Nuno Abecassis, has asked, on behalf of Portugal's municipalities, for EEC aid of Es 49bn (£234m) so that municipalities can more effectively fight the forest fires that annually destroy hundreds of thousands of acres.

In 1985, 395,000 acres of woodland and arable land were ravaged by forest fires. Forestry represents 17 per cent of Portugal's agricultural products.

With the help of new equipment in 1986, the destruction decreased to 250,500 acres. But several small rural communities were wiped out.

Meanwhile, the Community has refused to endorse a highly ambitious but vaguely-worded Ecu 1bn (£600m) industry recovery programme for Portugal.

Instead, the Community has suggested that the Portuguese apply for the usual range of EEC structural funds to aid specific sectors of industry.

● After months of pressure from parliament, the Lisbon Government has made major cuts in the prices of fuel oil, town gas, and butane and propane gas, but has refused to reduce the price of petrol or diesel oil.

Joining the mainstream brings its own problems, reports John Wyles

Italian economic fish enters big pond

"WE can be satisfied with the results we have obtained," said Mr Bettino Craxi in a self-congratulatory review of Italian economic progress last weekend. His sense of the national mood was characteristically acute, for it is one of satisfaction bordering on complacency.

Mr Craxi, with approaching elections in mind, wanted to stress just how much the economy had recovered during the three and a quarter years of his premiership. He is not short of expert witnesses. The European Commission, the IMF and the OECD have all this year commended Italian efforts and forecast a relatively glittering performance over the next 12 months.

The figures are encouraging: at 5.9 per cent, current price inflation is a far cry from the double digits of 1980-84, this is the third successive year of annual growth between 2 and 3 per cent, the corporate sector is in much better shape after piling up massive debts at the end of the 1970s and the current account is in surplus.

Italian commentators have seized gleefully on two points. First, most forecasts show that their country will lead the European Community's growth league in 1987. Second, there is now closer convergence than for a decade or more between Italy's economic performance and that of France, West Germany and the UK.

As Mr Giovanni Goria, the exuberant young Treasury Minister, proudly declared last weekend: "People abroad no longer talk of an Italian risk."

This sense of having joined the international economic mainstream is undoubtedly putting a spring in the step. From a sizzling car market dominated by Gianni Agnelli's hugely profitable Fiat, to a booming stock market and healthy corporate balance sheets, Italians are deriving a heady self-confidence not apparent before.

1987 FORECASTS
(percentage growth)

	GDP	Consumer prices	Unemployed	Public sector deficit
Italy	3.6	4.0	12.8	−11.0
UK	2.7	3.9	12.0	−2.5
West Germany	3.2	1.1	7.7	−0.7
France	2.5	2.3	10.7	−2.6

Source: *European Commission Annual Economic Report 1986*

While by no means unjustified, in the view of some analysts the euphoria is, somewhat overdone for membership of the economic mainstream brings with it mainstream problems. The volume of Italian exports this year is falling behind the growth in imports, as in the UK; real wage increases are running ahead of inflation as in West Germany and the UK; real interest rates are high, second only to Britain; the balance of payments, currently transformed by the halving of the oil price is just as vulnerable as that of France to any sudden deterioration in the terms of trade.

In common with the rest of Europe, Italy's unemployment rate, at 11.1 per cent and rising, can be trimmed only by a faster than obtainable rate of growth. Unlike the rest of Europe, Italy's unemployed are even more concentrated by age and geography — three quarters of the jobless are under 30 and the rate of unemployment in the south is twice that of the north.

The Government has announced plans to spend L7,500bn (£3.8bn) over the next three years with the aim of creating between 500,000 and 750,000 new jobs in the south. It is very vague about how the money will be spent and even more vague about how it will be found, given the central problem of the Italian economy, the vertiginous public sector debt and deficit.

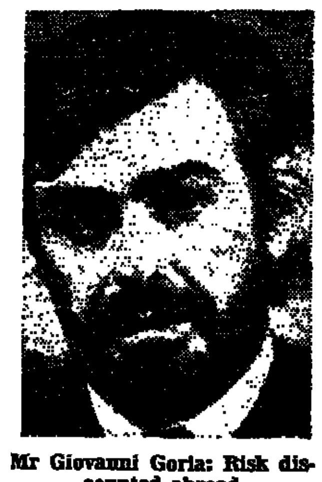
The Italian Government's medium term plan, which tends to adjust the deadlines as targets are missed, aims by 1990 to balance the budget net of interest payments, which account for more than 70 per cent of the deficit. Next year's budget proposal provides for a borrowing requirement of L100,000bn or 12 per cent of GDP compared with this year's L110,000bn, 14.3 per cent of GDP.

The proposal assumes a 3.5 per cent growth rate, which should be attainable, some reduction in nominal interest rates and cuts in current spending of L2,000bn.

The Treasury says that its budget targets can be achieved without these measures should they fail to win approval, but others are not so sure. The Government has been increasingly successful in financing its deficit on domestic capital markets, with declining recourse to the Bank of Italy, but real interest rates have been kept high and will have to remain so.

Much is being made of a 13 per cent rise in unit labour costs over the past 12 months, despite hard cuts in *scala mobile* pay indexation. They reflect a flattening of productivity in industry and rises in real wages of up to 2 per cent.

Domestic demand, fuelled by increasing disposable income and rising corporate profits,



Mr Giovanni Goria: Risk discounted abroad

after a 300 per cent leap last year, has been a key factor in this year's expected 2.8 per cent growth.

But the balance of payments position, transformed by the oil price windfall from a deficit of L8,000bn last year to an equivalent surplus this year, looks threatened by an expected rise of around 7 per cent in import *volumes and a likely fall of* perhaps 2.5 per cent in export volumes.

Thus, the Italian economy begins to look like an inebriate of uncertain reform, who can easily be nudged off the straight and narrow. With the public sector deficit denying room for manoeuvre on the fiscal front, the economy remains highly vulnerable to external blows which could upset the Government's calculations and inject a sour note Italy's currently happy lot.

French jobless rate falls

BY DAVID HOUSEGO IN PARIS

French unemployment fell in September for the first time in several months, largely as a result of the Government's new job creation measures for the young.

On a seasonally-adjusted basis, the number of jobless fell by 0.5 per cent to 2.473m, still leaving the number of unemployed at 3.5 per cent above the same priod last year.

Mr Philippe Seguin, Minister for Social Affairs, said that 188,360 young people had found jobs last month under the Government's job-creation scheme which provides cuts in social security charges for employers taking on young people.

Since the Government announced the scheme earlier this year, Mr Seguin claimed that 397,188 jobs had been created—or close to the Government's target of 400,000. The scheme provides for reductions of 25-50 per cent for companies recruiting young people.

Vranitzky stresses need for economic reform

BY PAYTRICK BLUM IN VIENNA

DR FRANZ VRANITZKY, Austria's Socialist Chancellor, presented his party's manifesto for next month's general election, emphasising the need for economic reform while maintaining the gains of the welfare state.

"There will be no dismantling of the welfare state," he repeatedly said. The manifesto places a major focus on modernising the economy, streamlining the budget and making industry, including the nationalised industries, more efficient and accountable.

The next Government will also seek to "improve arrangements" between Austria and the European Community so as to make co-operation between them more intensive.

Dr Fred Sinowatz, the Socialist Party leader and former Chancellor, said the Socialists had recovered the ground lost to the Conservative People's Party over the summer and that the two main parties were now neck and neck.

Both men said they were looking to the election on November 23 with confidence and that the Socialist Party would win a majority.

The Socialists have been in power since 1970, alone until May 1983, and in a coalition with the small right-wing Freedom Party since.

The coalition never won wholehearted support and when the Freedom Party lurched sharply to the right with the election of a new leader last month, Dr Vranitzky decided to dissolve the coalition and call for early elections rather than wait until next April

Dr Vranitzky, a former banker and Finance Minister, was appointed Chancellor last June in a last-ditch attempt by the Socialists to reverse the anti-Socialist tide that accompanied the election of Dr Kurt Waldheim as Austria's President.

Bid to speed rail traffic between Germanys

BY DAVID MARSH IN BONN

A PROPOSAL to build a DM 3bn (£1bn) high-speed train link between Hanover and Berlin has been put forward as part of a bid to integrate the divided city into the overall modernisation plan for West German railways.

The idea of a train link, drawn up in a consultant's report at the request of the Berlin Senate, is being discussed in committee by the West German Bundestag (federal parliament) as a potential way of enlarging and speeding up rail traffic between the two Germanys.

The Bonn Government in the past has been reluctant to upgrade the existing trunk Hanover-Berlin rail link because of difficulties in persuading the East German government to put up sufficient money for the project.

However, the West Berlin city authorities have been pressing for the question to be reviewed in the light of the Federal Republic's plan by the early 1990s to introduce a 200-mph train on inter-city routes.

The study, undertaken by a Frankfurt-based consulting company, says that a new high-speed track between Berlin and Hanover would fully connect the former imperial German capital into the new system.

It claims that the link would cut by half the present 3½-hour rail travelling time between the two cities.

Concern about exports dominates Indian debate

John Elliott reports on an economy dogged by high public spending

CONCERN about poor export performance and levels of Government spending are dominating debate in India about the state of the country's otherwise stable economy.

Figures published by the Commerce Ministry last week show that the trade deficit last year soared by 66 per cent, 13 per cent more than was originally estimated. At the same time doubt is being cast on the validity of provisional figures which show a 25 per cent increase in exports during the first three months of the current financial year.

No foreign exchange crisis looms, however, because the balance of payments position is being protected by other factors and foreign exchange reserves are more than adequate, equalling four months' imports.

Mr Vishwanath Pratap Singh, the Finance Minister, is sounding warnings about the need to curb domestic expenditure and is preparing a policy paper for the Cabinet this month aimed at making substantial savings by pruning low priority items.

The basic problem facing the country is that economic and industrial liberalisation policies introduced over the past five years, and accelerated since Mr Rajiv Gandhi became Prime Minister, have not yet paid off in terms of industrial growth and efficiency. Economic growth remains at below 5 per cent.

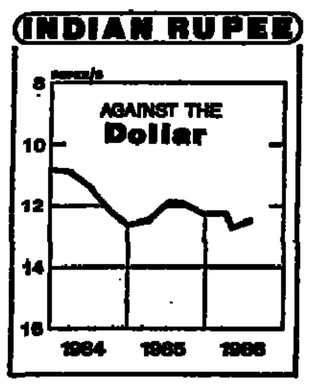
Instead they have led to an increase in imports, particularly of capital goods, and appear to have done more to benefit the middle classes and the rich than the poor. This has helped to fuel political opposition to Mr Gandhi's policies within his own ruling Congress I Party as well as among opposition parties.

There is no sign of Mr Gandhi changing course, and in an interview last week in the Indian Express newspaper, he denied rumours that he was planning to move Mr Singh from the Finance Ministry in a long-awaited cabinet reshuffle.

Mr Singh, who was said by Mr Gandhi to be "doing a good job," has become controversial because of a series of widely publicised raids his Ministry's law enforcement officers have been making on leading industrialists' offices. There have been calls for him to go or for his powers to be curbed

His twin policies of attacking tahe black economy by combining a liberal tax regime with strict enforcement have paid dividends in terms of revenues. He announced last week that personal income tax receipts were up 25 per cent so far this year, following a similar increase last year, and that indirect tax revenue was up 18 per cent.

"I wish I had the same success on the expenditure side as I am having on the revenue side," he said. There was a need for a "lot of pruning." But he does not want to curb major development projects nor repeat the 5 per cent across-the-board spending cut introduced last year which he says was "not scientific."



Part of the problem is a report from India's Pay Commission recommending increases of 20 to 30 per cent for central government employees' pay, which already accounts for 18 per cent of Government spending. This is helping to put pressure on the targeted deficit of Rupees 36.5bn (£1.97bn) for 1986-87 which the Government does not want exceeded.

But while this year's Government spending is preoccupying the Finance Minister the country's longer term balance of payments prospects are causing considerable wider concern.

Two months ago the trade deficit for 1985-86 was estimated to be Rs 79.5bn, 53 per cent above 1984-85 levels. But last week this was raised by the Commerce Ministry to Rs 86.16bn, an increase of 66 per cent above last years levels.

At the same time there is some doubt about Government claims that exports rose by 24.6 per cent between April and June this year to Rs 27.9bn from Rs 22.39bn in the same period last year. Export and import figures are revised several times every year as delayed information is evaluated. but computerisation is confusing the picture because of variations in the speed at which the information is collated.

The problem now is that revised figures for April to June last year are believed to have raised that period's exports figure from Rs 22.39bn to Rs 27.20bn, reducing the much vaunted 24.6 per cent to a mere 2.5 per cent if a comparison is made with this year's provisional figures.

Such a comparison is of course unfair, but may not be so far out as the Government hopes because of faster computer collection of data this year.

Ministry of Finance economists still expect a Rs 10bn decrease this year on last year's Rs 86.16bn trade deficit, however, with a target of 12 to 13 per cent for growth in exports being met. Other international economists doubt this and estimate that because exports have been growing at only 3 to 4 per cent a year, they now need to achieve 15 per cent growth every year until 1990 if the seventh five year plan annual target of 6.8 per cent is to be met.

The problem is that, while exports of items such as garments, leather, petroleum products, and gems and jewellery have been improving there has been no increase in the basic essential areas for growth such as engineering and other manufactured products, despite an array of export incentives. Tea and tobacco have also done badly and there now seems little prospect for much growth in agricultural exports.

Debt repayments to the International Monetary Fund of a $3.9bn credit increase sharply in the next three years and India will also be affected by increased interest payments on its World Bank borrowings.

These are shifting rapidly from low interest International Development Agency loans to full-cost funds from the International Bank for Reconstruction and Development.

Remittances from Indians working overseas will also decline because of lower demand for expatriate labour in the Middle East, although India is cushioned more than some neighbouring countries because about 50 per cent of its migrant workers are employed elsewhere.

A number of factors are protecting India from any immediate crisis, however. They include reductions in international oil prices at a time when the growth in India's domestic oil production is flattening out, and reductions in the country's requirements for various bulk imports such as edible oil and fertilisers.

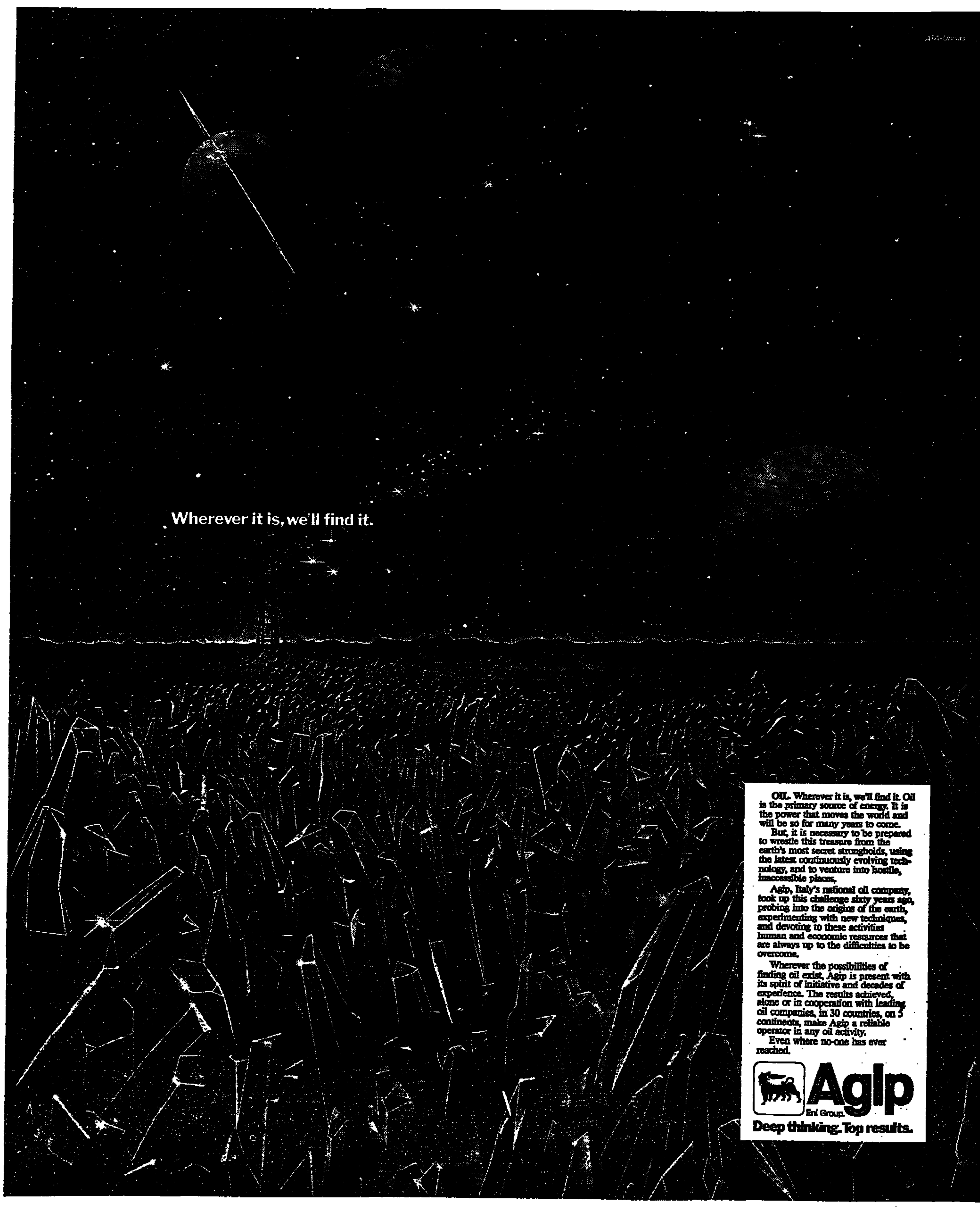
An increase from rupees 28bn to more than rupees 30bn of annual net aid disbursements from bilateral and multilateral donors because of a bunching of development projects is also helping.

Declines in the value of the rupee of between 22 and 25 per cent against a basket currencies including 18 per cent against the pound sterling and 30 per cent against the D-mark and the yen should have also helped exports.

This sort of devaluation would be politically untenable as a deliberate move, but some economic observers believe the country would benefit by falls of up to another 25 per cent.

India has thus managed to duck some of the basic industrial issues of lifting controls on major companies capable of exporting and of reducing costs and improving quality and competitiveness, which are needed for a continuous improvement in export performance.

"Its a classic Indian case of muddling through within an admittedly basically prudent economic policy," says one observer.



Ershad to seek early end of martial law

BY JOHN ELLIOTT IN DHAKA

PRESIDENT Hossain Mohammad Ershad of Bangladesh hopes to end martial law in his country by the middle of next month. His announcement came yesterday as results from Wednesday's election confirmed that he is being overwhelmingly elected to the presidential post which he assumed without a popular mandate three years ago.

President Ershad: "would win without rigging"

President Ershad also said he would "look into" allegations of widespread rigging in the pols, although he was not prepared to admit that rigging had taken place. He said he "did not have to rig to win an election" and added that if the future a system would have to be set up in which rigging did not take place.

Vot counting was continuing last night with President Ershad reaching 16m, followed by Maulana M. H. Huzur, leader of a fundamentalist Moslem party with 1.08m, and Col Syed Faruk Rahman, a retired army officer who led a coup in 1975, with 873,000. There were nine other candidates and nearly 48m people on the voting lists.

President Ershad seized power in a bloodless coup four years ago, introduced martial law and made himself president in 1983. Yesterday he said that last May's parliamentary elections and Wednesday's presidential election fulfilled the pledge he had made to restore democracy.

He will summon parliament in the next two or three weeks and lift martial law as soon as a constitutional bill is passed validating and indemnifying actions taken by the military regime.

His Jatiya Party needs to muster 11 votes from small opposition parties to gain the two-thirds majority needed to pass the bill. He warned yesterday that martial law would not be lifted if the bill was blocked.

He said he would like martial law to have ended before he visits India for the second summit of south Asian nations on November 17 and subsequently goes to the United Nations where Bangladesh holds the current presidency of the General Assembly.

Pretoria to unwind gold swaps with central banks

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Reserve Bank, whose reserves have been boosted in recent months by higher than expected gold and platinum prices, intends to unwind gold swaps arranged with other central banks earlier this year and replenish its gold holdings. Gold swap arrangements worth an estimated $300m were entered into earlier this year when South Africa had to find $500m to fund foreign debt re-payment under an agreement reached with bankers in London on February 20.

Dr Gerhard de Kock, governor of the Reserve Bank, told the Johannesburg financial daily, Business Day, that the rise in foreign currency holdings to around R1.5bn ($470m) at end September "means we might buy back the gold we sold earlier this year instead of rolling the swap facilities over. We would like to take back some gold and increase the quantity of bullion we are holding." Gold holdings dropped from 12.35m ozs in September 1981 to 3.9m ozs in September this year.

The decision to give priority to replenishing gold reserves rather than speed up the rate of re-payment of its outstanding $22bn foreign debt, as demanded by creditor banks but refused at the last meeting with creditors six weeks ago, fits in with the broader policy of building up South Africa's defences in the face of sanctions. Earlier this year South Africa also spent from reserves to replenish its strategic oil stockpile and take advantage of low world oil prices.

Nigerian naira falls in value

THE NIGERIAN naira fell yesterday against the US dollar when the country's central bank conducted its fourth weekly currency auction, Michael Holman reports from Lagos.

After yesterday's auction of $80m (£55.6m)—$5m up on last week—the rate was set at 3.93 naira to the US dollar (the pound was valued at 5.63 naira).

The new system has led to a substantial, albeit fluctuating, devaluation of the local currency. The first auction saw a 66 per cent drop in the naira against the dollar. Before the new system was introduced the naira had stood at 1.55 to the dollar.

Under the new arrangement, introduced after negotiations with the World Bank and the International Monetary Fund, available hard currency is auctioned each week by the central bank.

Pakistan 'needs early warning'

MR Caspar Weinberger, the US Secretary of Defence, said yesterday that his country and Pakistan agreed that Islamabad urgently needed an airborne early warning system to stop violations of the Pakistan air space and bombing of its border areas, Mohammed Aftab writes from Islamabad.

Mr Weinberger in Pakistan for talks with President Gen Zia ul-Haq and Mr Mohammad Khan Junejo, the Prime Minister, said: "The two sides realise the urgency of an air surveillance system" but different options are available. Pakistan cannot afford to buy expensive Awacs, and it wants the aircraft under its own command. US-made Hawkeyes and Orion-3 air surveillance aircraft are being considered.

Pakistan has been subjected to bombing from the Afghan side since 1979. An estimated 115,000 Soviet troops are currently fighting anti-Communist guerrillas in that country.

N-plant truce plea ignored by Hong Kong politicians

BY DAVID DODWELL IN HONG KONG

CONTROVERSY has been ignited afresh in Hong Kong this week over China's plans to build a $4bn (£2.8bn) nuclear power plant at Daya Bay, close to Hong Kong's north-east border.

The territory's recently-blooded political leaders ignored pleas from Sir Edward Youde, the Governor, for a truce on the issue, which has in recent months inflamed passions on an unprecedented scale in the usually genteel political world of Hong Kong.

They took the opportunity of the first debate of the new legislative year to lambast each other, to pressure for political reforms, and to question the Government's role in the Daya Bay issue. Contracts were signed to build the Daya Bay plant just a month ago—after more than five years of negotiation by Chinese officials with GEC of the UK and Framatome of France. It is expected to be commissioned by 1994

Maverick politican Mr Martin Lee spared neither the governor, nor Miss Lydia Dunn, leader of the Legislative Council, in his protest over government refusal to call a special debate on Daya Bay during the summer recess. Stinging personal attacks shocked many observers who are acutely aware of the importance local people attach to preserving the "face" of prominent public figures.

Mr Lee, and a group of other political figures opposed to China's plans to establish a 2,400 MW nuclear power plant just 40 kms from Hong Kong's borders, threatened to resort to the so far untested powers and privileges ordinance to force the Government to disclose information linked with the nuclear project if officials continue to insist on secrecy on the grounds of maintaining commercial confidences.

Officials have promised that a comprehensive report on the project will be published within the next three weeks, but it is far from certain that this will satisfy the complaints of a substantial minority of Legislative Council members.

In a debate that raised numerous broader issues about Hong Kong's political future, the Governor's dual role as both head of the government and president of the Legislative Council also came under assault.

Sandinistas 'link' George Bush to wanted terrorist

BY PETER FORD IN MANAGUA

REPORTS that Mr George Bush had met a man running a "Contra" rebel supply operation in Central America have broadened to include allegations that the US Vice-President is linked to an international terrorist sought by Venezuelan police.

Mr Luis Carrion, Nicaragua's deputy Interior Minister, said on Wednesday that Sandinista intelligence had positively identified one of the bosses of captured US flyer, Eugene Hasenfus, in El Salvador as Luis Posada Carriles.

Mr Posada was convicted by a Venezuelan court of involvement in the 1976 bombing of a Cuban plane that killed over 70 people, but escaped from jail under mysterious circumstances last year.

Mr Bush has admitted knowing Mr Posada's colleague in the El Salvador-based Contra supply operation, a man known in San Salvador as Mr Max Gomez, whose real name is believed to be Mr Felix Ismael Rodriguez.

Both "Gomez" and Posada, who went by the name of Ramon Medina, boasted of being friends of Mr Bush, Hasenfus told his interrogators, according to Mr Carrion.

Mr Bush is a former director of the CIA.

Hasenfus has said that both "Gomez" and "Medina" are CIA agents who organised supply flights to Contra rebels inside Nicaragua from the Salvadorean airforce base of Ilopango. Nicaraguan officials have identified "Medina" as linked also to anti-Castro activities including the Bay of Pigs incident in 1962.

Bush has admitted meeting a man he called Felix Gomez three times. The Vice President's spokesman, Mr Martin Fitzwater, has said that Mr Bush's national security adviser, Donald P. Gregg, recommended Mr Gomez for a job as a private counter-insurgency adviser to the Salvadorean airforce.

"To the best of my knowledge, this man was not working for the US Government," Mr Bush said last weekend. "The only discussions I ever had with Felix related to El Salvador."

Salvadorean military chief of staff General Adolfo Blandon, however, this week denied that Mr Gomez had been an adviser to the airforce.

Other Salvadorean sources have confirmed Hasenfus's statement that Gomez's job was to organise the Contra supply flights.

Polls back Reagan's summit stance

By Stewart Fleming, US Editor, in Washington

AMERICANS have rallied firmly behind President Ronald Reagan's handling of the Reykjavik summit meeting with Soviet leader Mr Mikhail Gorbachev, and his decision not to trade the Strategic Defence Initiative (SDI) for deep cuts in nuclear missiles.

This is the unanimous conclusion of polls conducted by the three major television networks in combination with the New York Times, Washington Post and Wall Street Journal newspapers.

The positive reaction to the summit has emboldened the White House to stick with its strategy of trying to present the summit as a major foreign policy success and try and exploit it as an issue in next month's mid-term Congressional elections.

The Administration and its Republican allies are both painting the summit as a major foreign policy success. In this way they are seeking to inject a national theme into elections which have been dominated so far by regional issues.

They are apparently hoping that in this way they can make the most effective use of both President's personal popularity and his campaigning skills in order to try and swing marginal voters to Republican candidates.

The clear sign of the White House effort to exploit the summit and try to establish a national agenda for the elections came on Wednesday when the President, campaigning in Maryland for a Republican senatorial candidate, Ms Linda Chavez, attacked liberals who oppose his SDI plans.

Yesterday the Democratic House speaker Mr Thomas P O'Neill reacted by trying to refocus the campaign on economic and local issues saying that what the US needed was a strategic defence for American jobs and the economy.

Political strategists are questioning the wisdom of the White House strategy. Whether it is effective in electoral terms, however, polls suggest that Mr Reagan himself has not suffered because of the summit and support for the SDI programme has increased in the wake of the Reykjavik meeting.

The poll findings are not entirely unexpected. Faced with a choice between supporting their President and the head of the Soviet Government — particularly on major issues of wars and peace — it is inconceivable that Americans would turn against their leader.

Tim Coone profiles the Argentine leader due to be honoured today

Human rights award for Alfonsin

THE European Prize for Human Rights, due to be awarded by the Council of Europe to President Raul Alfonsin of Argentina today, has never before been given to an individual.

Such an honour reflects the remarkable way in which the Argentine leader in just three years has restored his country's democratic image, and returned it to the level of prestige and credibility it deserves.

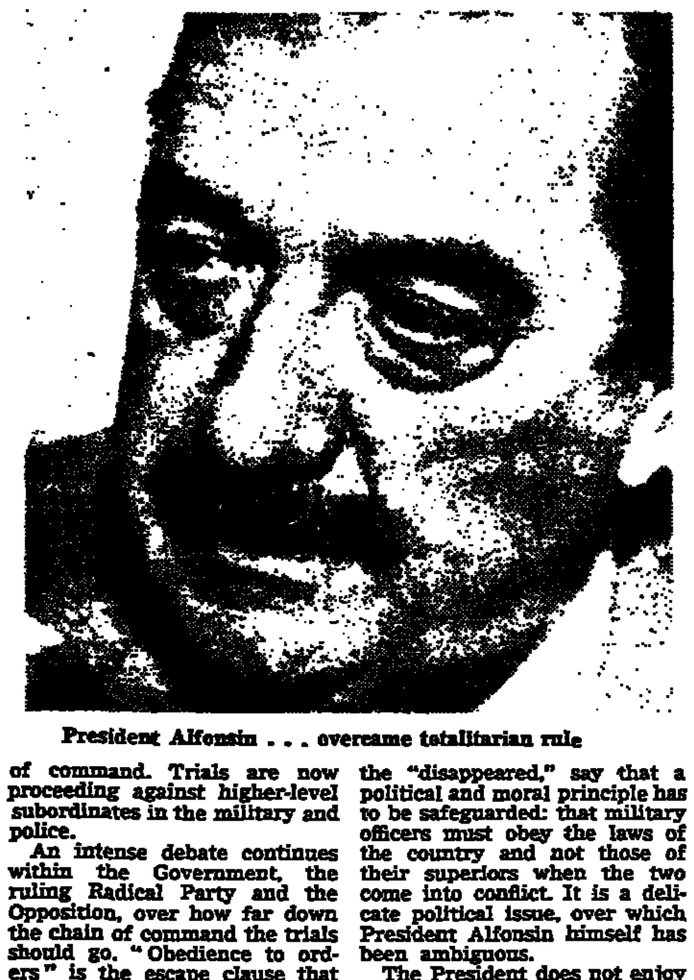
Just 10 years ago, Argentina and its rulers had become synonymous with political violence, totalitarian rule and human rights abuses. The military coup of 1976 traumatised society and left indelible scars which today are only just beginning to heal.

More than 8,000 people, mostly political activists or their relatives, "disappeared" during the period of military rule, abducted by armed squads linked to the military and security forces. The true figure may be even higher as many people were too terrified even to report the abduction of a friend or relative.

President Alfonsin's achievement, unprecedented in Latin America, has been to head a civilian government with no traditional base of support within the armed forces, and place nine military rulers on trial for their conduct in the "dirty war."

Five of them are now serving long prison sentences and the three military leaders responsible for the disastrous 1982 war with Britain over the Falkland Islands are also in prison.

Mr Alfonsin delivered his election promise to bring to justice those responsible for human rights violations by starting at the top of the chain of command. Trials are now proceeding against higher-level subordinates in the military and police.



President Alfonsin . . . overcame totalitarian rule

An intense debate continues within the Government, the ruling Radical Party and the Opposition, over how far down the chain of command the trials should go. "Obedience to orders" is the escape clause that the lawyers of both serving and retired junior officers facing charges are trying to use to absolve their clients from blame.

Opponents of the argument and especially the families of the "disappeared," say that a political and moral principle has to be safeguarded: that military officers must obey the laws of the country and not those of their superiors when the two come into conflict. It is a delicate political issue, over which President Alfonsin himself has been ambiguous.

The President does not enjoy the same level of prestige at home as he does abroad. After three years in office he is in the middle of an economic crisis, and faces many diverse and powerful vested interests which view his liberal Government with suspicion and at times outright hostility. Some groups have much stronger ties to the military than the ruling party.

His Government has removed the military from the front line of politics, but their presence behind the scenes is still detectable, and Mr Alfonsin's speeches are constantly filled with exhortations to national unity so as to consolidate Argentina's nascent democracy.

His vision to modernise Argentina will not be achieved overnight. His party recently launched a political initiative to forge alliances for midterm elections to the Congress and regional governship next year, and to push legislation through Congress this year.

An important constitutional reform is on the legislative agenda, to create a Prime Minister to head the Government, alongside a President who will head the state.

At the beginning of the week, President Alfonsin said that his own political ambitions were not to seek re-election. He also stated that there will be no amnesty for the military leaders guilty of human rights violations.

No-one doubts that somewhere down the chain of command the trials will have to stop, and that decision will have to come from President Alfonsin himself, before his term of office ends in 1989.

The European prize coming now is therefore a fitting international recognition for a statesman who has achieved what five years ago would have seemed impossible in Argentina. At the same time, it will provide moral support in the battle against opponents at home during the difficult period ahead.

Industrial production in US rises 0.1%

By Stewart Fleming, US Editor, in Washington

INDUSTRIAL production in the US continued to stagnate in September, rising only 0.1 per cent, the Federal Reserve Board reported yesterday.

Little change in output had been anticipated on Wall Street after data published earlier in the month showed industrial employment continuing to decline during the month and overall unemployment rising.

Against a year ago, the Fed's index of industrial production is up only 0.8 per cent. Domestic output has been hit by higher imports, except in defence and space where output is up 4.3 per cent on a year ago. Even so, the September gain was only 0.2 per cent.

The slowing of Congressional authorisations for defence spending in 1986 and 1987 will begin to affect defence spending over the next few years.

Output of consumer goods last month rose 0.3 per cent, mostly because of higher car production. Strong sales of cars as a result of sales incentives is expected to boost production moderately during the rest of the year now that manufacturers' stocks have been cut.

US official in Chile

Mr Nestor Sanchez US assistant undersecretary of defence for inter American affairs, arrived in Chile this week for what the American Embassy described as a "routine visit" but which has included meetings with opposition figures. Mary Helen Spooner reports from Santiago.

Duarte asks US to lead $1bn earthquake relief

BY OUR FOREIGN STAFF

PRESIDENT Jose Napoleon Duarte has asked the US to spearhead a $1bn (£690m) relief effort to help rebuild El Salvador after the earthquake.

The request coincided with the arrival in the capital of San Salvador of a high level US mission led by Secretary of State Mr George Shultz. The visit is aimed at underlining the close relationship between Washington and the Duarte Government to which it has already given millions of dollars worth of military and economic aid.

President Duarte is once again looking towards Washington against the backround of renewed hostilities between his conservative government and left-wing guerrillas.

The president told a news conference that his army and guerrillas had clashed in four towns after the armed forces turned down the truce offered during the earthquake by the marxist Farabundo Marti National Liberation Front (FMLN).

The Salvadorean Government is asking Mr Shultz to push through Congress $50m worth of aid and to lead the international aid drive. The earth quake has killed at least 1,000 people but hundreds more bodies are believed to be buried in the rubble.

British and Guatemalans were among the relief workers still digging through mud for the bodies of an unknown number of shantytown dwellers buried under a giant mudslide triggered by last week's disaster. Relief workers estimate that many parts of the city have been almost totally destroyed.

El Salvador: the political aftershocks, Page 18

Brazil devalues cruzado by 1.8%

BY IVO DAWNAY IN SAO PAULO

BRAZIL has devalued its new currency, the cruzado, by 1.8 per cent.

The devaluation — the first since the new fixed rate currency was introduced in an anti-inflationary package last February — is likely to be seen as significant symbolically rather than practically.

Prices have risen by 8.9 per cent in the seven months to the end of September, suggesting that the devaluation could have been much greater.

Concern has been mounting in Brazil that the Government was locking itself into several increasingly untenable positions on economic policy. These include recent declarations that the rigid price freeze would continue indefinitely and that no tax rises were planned to bridge a budget deficit running at around 4.2 per cent of gross domestic product.

The devaluation, from Cz 13.84 to Cz 14.09 to the dollar, comes after the new currency fell heavily on Brazil's widely used black market.

This week, speculative buying had lifted the "parallel dollar" to Cz 26 in some markets—the level that in August led to police action against the dealers.

Anxiety has also been growing about the effect of a surge in imports, largely fuelled by a big rise in orders for food, caused by a sharp increase in consumer spending. Mr Fernao Bracher, the central bank governor, revealed that Brazil's foreign reserves had fallen by $487m to $7.3bn since the end of last year.

"Falling rand assists mining and export-linked business"

Michael Sander, managing director of AECI, talks to John Spira, Finance Editor of the Johannesburg Sunday Star.

Spira: The past two years have seen the worst economic recession in South Africa since the early 1940s. AECI has suffered along with most of the country's capital intensive groups. Are things beginning to look up?

Sander: Yes. Small signs. At the beginning of this year we were looking at slightly lower volumes traded than five years previously, giving one some idea of just how deep the recession has been. Bear in mind, too, that the rand has weakened considerably since the beginning of last year. So conditions have been tough.

Fortunately, there has been an improvement in the past four months, although the gains as far as we are concerned have been in the region of only around 2%. The mining and direct export-linked spheres of our business have gone better ever since the rand started falling; the consumer areas are experiencing a small upturn but we have not yet noted any gains in construction.

Spira: You've mentioned that your export-linked business has become more buoyant as a result of the weaker rand. Has the fall in the value of the currency created new opportunities for AECI?

Sander: We've been exporting as much of our surplus capacity as we are able — for quite some time. That, even when the rand was strong our exports were relatively high in volume terms. The subsequent decline in the value of the rand did not, therefore, do much to boost our export volumes but we did, of course, derive benefits in realisation terms.

In fact, in recent months our export volumes have fallen slightly because local volumes have picked up.

The most important trading opportunity created for us by the low rand derives from the additional opportunities it has opened for our customers. Dumped imports of all sorts of finished goods have all but come to an end, thereby allowing local capacity to be well employed, while some of our customers have taken advantage of the weak rand to export more than they have in the past.

We'd like to see this process continue and expand because that's where the higher added value end of the business is and from the country's point of view if a lot of added value takes place prior to export the end result is highly beneficial.

Spira: AECI has tended to become a cash-rich concern in recent years. Is this process continuing?

Sander: For the last six to nine months we've been able to recover from the setbacks of the suddenly weakening rand and high interest rates and the burden that they've placed on us as partly local and partly overseas borrowers. So the first valuable effect of the recovery has been to ease some of that pressure.

On the assumption that we'll be able to continue making progress from this new level, we shall be able to cope with our plans for expansion. So we are not ever going to be a cash generator without any ideas as to what to do with the money. There is plenty of opportunity in South Africa and we shall be exploiting as many of those opportunities as we can afford.

Spira: How would you characterise group labour relations and what has been the effect of black unionisation?

Sander: In short, it's been a cautious learning process on both sides. On the whole, our labour relations can be considered reasonably good under the rather unique circumstances that prevail in South Africa. There is a natural trend toward politicisation of any union activity, which means that one is not necessarily always called upon to handle a conflict situation which has come about solely because of a dispute.

There have been and there will continue to be political overtones to any union situation. In the main, however, the disputes we've experienced have stayed well within the framework of what we would consider to be the definition of industrial disputes rather than political disputes.

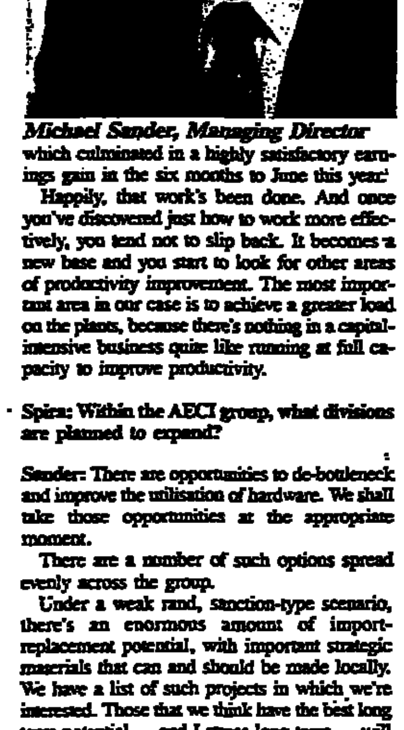
The respect we have for the union organisations and the people involved in them has grown, as has their respect for us. But it has been a mutual learning process.

We still have a long way to go before we can feel comfortable that we've worked out a proper businesslike relationship in every field of interface that we have.

The main effect of black unionisation is that we have a negotiating forum which has proved to be effective in tackling any dispute that has arisen so far. With the experience that's been gained by both unions and management, we now have a constructive mechanism for resolving disputes in a way which seems to have achieved satisfactory conclusions for both sides and which hasn't disrupted ongoing inter-group relationships.

Spira: How has AECI fared in productivity terms during the past couple of years of economic recession?

Sander: I think it's very difficult to improve productivity in boom times, when there's no pressure on the bottom line. In fact, the converse applies and this is why we've been able to achieve worthwhile productivity gains during the recession. It was very important that we did. The only way we were able to hold on to our earnings was by hauling hard down on the costs — a process which culminated in a highly satisfactory earnings gain in the six months to June this year.



Michael Sander, Managing Director

Happily, that work's been done. And once you've discovered just how to work more effectively, you tend not to slip back. It becomes a new base and you start to look for other areas of productivity improvement. The most important area in our case is to achieve a greater load on the plants, because there's nothing in a capital-intensive business quite like running at full capacity to improve productivity.

Spira: Within the AECI group, what divisions are planned to expand?

Sander: There are opportunities to de-bottleneck and improve the utilisation of hardware. We shall take those opportunities at the appropriate moment.

There are a number of such options spread evenly across the group.

Under a weak rand, sanction-type scenario, there's an enormous amount of import-replacement potential, with important strategic materials that can and should be made locally. We have a list of such projects in which we're interested. Those that we think have the best long term potential — and I stress long term — will be those in which we get involved.

We are also looking hard at new technological advances — specifically those stemming from South Africa. We are starting to exploit new technology in a new company we've formed called Chemical Resources, which encompasses the research we've done on synthetic fuels. It's a company which has started well and it has a few products that have already proved effective.

Spira: You've now experienced two to three years under the government's amended protection policy. Has the policy been effective? What changes would you advocate?

Sander: I don't believe the policy has been effective. What we need is for industry and government to get together and decide how much of an export market we are going to forge for South Africa. Let us target those markets, identifying the markets where we have some competitive strengths and then go out and get results.

It's much more difficult now because of the sanctions issue but it's not impossible. It's becoming more necessary under present circumstances for this kind of arrangement to be made.

Then we have to look at where the weak points of the industry are. In other words, if you're setting out to develop an export industry, where are you vulnerable?

For example, one area where we would be vulnerable is where we would be competing against countries which are dumping, which also have a low cost base and — most importantly — have very low interest rates. So we would be paying some 15% on 180 days' credit while many competing countries would only be paying 3%. And in any event, those exporters are already getting help from their governments.

Lack of competitiveness in these areas has to be addressed. This is where government comes in. Government must make this pain go away if we are to be as competitive as many foreign exporters.

Industry, on the other hand, has to get its act together. There's no way certain categories of exporter can be competitive without getting help from their raw material supplier. Both the exporter and his supplier need to get together and work out an export strategy.

South Africa's economy can only grow at a worthwhile rate via two routes. One is through small entrepreneurial inward integration approach and the other is high value-added exports.

In many instances we have the building blocks in place to be able to achieve this. The variable cost of production of our base materials is quite low relative to other nations around the world. Because we're a small country with a relatively small population, our plants are fairly small. Which means that although the variable cost is low — the capital cost per unit of capacity is fairly high — we simply have to think bigger if we are going to be serious about exports.

Having a low variable cost means that when times are tough you can hang in there. And when times are not tough you have exceptionally rich potential being in a position to sell everything you can make at top prices.

So in South Africa there are a large number of industrial chains that exist already. It's now merely a question of sitting down, along with government, and identifying export markets for the country's existing industrial infrastructure.

It's easier to export a high value-added product in the face of sanctions than it is to export low added-value products. The former are far less identifiable than the latter. But a carefully managed plan has to be put together for this to be achieved.

Spira: Will AECI get a slice of the Mossel Bay gas project?

Sander: No. We're looking at a project of our own. We can cope with that project and that's about all we can cope with.

Spira: Are you referring to mega-methanol?

Sander: Yes, but whether or not we'll proceed with this project depends on the outcome of our studies. Those are operating on two levels — technical (we expect to finish these by November) and the other financial, where we're having discussions with government which we expect to have resolved in a similar time frame.

Spira: A related issue is diesanol. Is its commercial exploitation likely to materialise in the near future?

Sander: There are two principal streams to synfuels available. One is the Sasol route and the other is the methanol route. The latter is relatively easy and it's being done in many areas of the world. If the gas-to-methanol-to-fuel route were to be developed in South Africa, then you could consider s..rting to commercialise diesanol.

What's difficult is to build a methanol plant specifically with the object of selling diesanol, because the commercial distribution networks don't exist. But if you are already producing methanol for other purposes, then you could look at introducing diesanol.

For this reason, we believe that there is merit in producing methanol. However, here one is looking well into the future.

WORLD TRADE NEWS

Japanese semiconductor prices fall sharply

BY CARLA RAPOPORT IN TOKYO

PRICES of semiconductors in Japan have fallen by between 10 per cent and 30 per cent in recent weeks, prompting the government to seek production cuts in the electronics industry for the first time.

In the latest scuffle over semiconductor trade between the US and Japan, US chip makers have charged that Japanese chips are now cheaper than US chips. This has encouraged US companies with Japanese subsidiaries to step up their purchases in Japan.

In an unprecedented move, the Ministry for International Trade and Industry has published figures on domestic demand, production and stocks of semiconductors for the last two quarters of this year and the first quarter of next. It in effect calls on the industry to cut production of a number of chips. For 64k Drams for example, it is seeking a 48 per cent cut in the current quarter compared with last quarter and a further 26 per cent cut in the first quarter of next year.

The figures show that the electronics industry substantially overproduced 64k Drams in the third quarter of this year, creating stocks of 8.4m chips, about 15 per cent of total production in the period. For 256k Drams, the ministry is calling for a 7.4 per cent cut in production and for 64k Eproms, 16.5 per cent.

The forecasts have been issued in the time-honoured tradition of "administrative guidance" which the ministry expects the industry to observe.

A senior ministry official said yesterday: "The reason (for much of the trade friction on chips) has been the fundamental problem of overproduction of some memory devices. So we thought it would help them to plan which cutbacks they should take into consideration."

A number of senior industry executives believe that Japanese production has increased as a direct result of the recent US/Japan semiconductor pact. Under the agreement, the US Department of Commerce is assigning "fair market values" to the exports of Japan's leading chip exporters. To "earn" a relatively low fair market value, companies must show a large production. As a result, many companies have found themselves with an unusual surplus in the domestic market.

Ministry officials, however, disagree with this argument, saying production has gone up recently because exports to the US have fallen and demand for most semiconductors has not recovered

US approves cuts in chip prices

BY CARLA RAPOPORT

THE BELEAGUERED US-Japan semiconductor pact received a shot in the arm yesterday as the US Department of Commerce approved the reduction in export prices for a range of leading Japanese chips.

The pact was heavily criticised by US consumers of chips and Japanese producers after it was signed in July. Both sides complained that the Department of Commerce's new "fair market values" for Japanese chips was artificially high.

The values have been lowered by an average of $2 a chip for 256K drams, according to Japanese industry officials.

The former values had led to a virtual halt to chip exports from Japan. An official of the Japanese Ministry for International Trade and Industry said yesterday: "Japanese companies are now re-convinced of the sincerity of the Department of Commerce. "I cannot say we are happy. There remains some significant discrepancies between companies. But this is a much fairer calculation."

The Ministry said monitoring chip prices in third countries remained a problem. "Circumvention could happen," he said.

Miti does not know how to respond to European complaints about the semiconductor pact. "It is not clear what they want us to do—keep prices high to prevent dumping or keep prices low to keep their consumers happy," it said yesterday.

Tokyo approves EEC talks plan

BY IAN RODGER IN TOKYO

JAPAN'S Foreign Ministry is hoping that a ministerial meeting with the European Economic Community due for December will ease rising trade tensions. According to officials in Brussels no date has been fixed.

Ministry officials fear the EEC could soon apply further restrictions on Japanese exports in the light of the rapid rise in Japan's trade surplus with the Community so far this year.

In the first nine months, the surplus was $13bn (£9bn) compared with $11.4bn in the whole of last year. The government is concerned that the expected downward trend has still not appeared, and there are fears the surplus for the full year could reach $17bn.

Officials fear the EEC could become more aggressive in its policy to Japan. They have thus welcomed the EEC suggestion following a ministerial meeting last November that a meeting between the two take place annually at this level.

The Foreign Ministry and the Ministry of International Trade and Industry have acknowledged that relations with the Community have deteriorated.

Foreign ministry officials said while there was little that could be done in the short term about the trade figures, they were trying hard to resolve specific problem areas, such as EEC anger over access to Japan's wine and spirit market.

Cable and Wireless in China radio phone deal

By David Dodwell in Hong Kong

CABLE AND WIRELESS, the UK telecommunications group, is due to sign an agreement today to develop unified mobile radio telephone services in the Pearl River delta region in south China around Hong Kong.

The agreement, with Guangdong province's Posts and Telecommunications Bureau, involves adoption of the British-based total access communication system (TACS) as an integral part of the services.

This is considered a big breakthrough as radio telephone designers compete worldwide for adoption of their systems in the same way that designers of VTR and Betamax video systems in the past competed for international adoption of their technology.

The agreement, forth an initial HK$120m (£11m) comes just two days after Cable and Wireless agreed plans to help develop telecommunications in the Yangtze delta region around Shanghai.

Cable and Wireless has had a long relationship with Guangdong's *telecommunications* authorities. From a base in Hong Kong, where it is soon to be publicly floated and where it has a 79 per cent holding in Hong Kong Telephone Company (Telco), Cable and Wireless has completed a 600-mile microwave telecommunications system across Guangdong. It has a 49 per cent stake in Shenda, the telephone company operating in the Chinese special economic zone of Shenzhen, which borders Hong Kong.

The agreement being signed today in Guangzhou, the capital of Guangdong, will for the first time allow executives in Hong Kong with mobile telephones to cross the border into China and maintain efficient telephone contact throughout the Pearl River delta region. It will also aid ventures based in the Pearl River delta, where there is a shortage of telephone equipment.

The agreement is for 15 years. Cells will be self-contained throughout the region, and will access main exchanges in Guangzhou and Shenzhen for calls to Hong Kong. The grid of cells—with between eight and 10 cells in switching centres in Guangzhou, Shenzhen and Zhuhai near Macao—will be completed by autumn next year.

Thailand agrees £200m port plan

BY OUR NEW YORK STAFF

THE THAI Government is to build a £200m container port and industrial estate on its eastern seaboard.

The project is half the controversial Eastern Seaboard Development Programme. No decision was made on the other half, a port for bulk freight, fertiliser and petrochemicals complexes and other industry at Map Ta Phut.

The port that is to go ahead will be built at Laem Chabang, about 65 miles south-east of Bangkok and 9 miles north of the resort town of Pattaya. It is intended to relieve congestion at the Port of Bangkok and provide an outlet for the tax-free export processing zone to be constructed nearby.

Industries in the new *industrial* estate are likely to be labour intensive light manufacturing and processing, provided they do not cause pollution.

In the 13 years since Laem Chabang was first approved and the eight years since planning for the Eastern Seaboard Development Programme started, much of the financing has already been secured.

Most of the money for the Laem Chabang projects is in the form of soft loans from the Japanese Overseas Economic Co-operation Fund, totalling Y31.23bn (£140m), two thirds of which has already been borrowed. Setbacks to Thailand's economic growth and debt positions and the appreciation of the yen persuaded the government to reconsider what it could afford.

A short list is to be compiled from 33 companies that have submitted tenders to build the port. Bids are also to be invited for the design and construction *of the industrial estate*, a water supply pipeline and a branch railway line.

The completion date for docks taking 2,000 container ships is 1991, with construction beginning in June or July next year.

The private sector is also to be invited to invest in the administration of the port and industrial estate and some of the facilities. Details have yet to be *finalised*.

Some members of the ministerial and official committee that agreed the port project said privately that much of the meeting on Wednesday which gave the go-ahead was spent debating the fertilizer project which is part of the other half of the programme.

The aim is to construct a fertilizer plant that can serve all Thailand's needs. The private sector, which includes World Bank, Danish and Jordanian as well as Thai interests is, however, reluctant to bear the risks alone. The government, *with a one-third stake,* decided that it would not interfere in a "private sector decision."

That statement has been interpreted as the death-knell for the fertilizer project, and for the port and industrial estate which are closely linked.

Turkey seeks energy sources

BY DAVID BARCHARD IN ANKARA

TURKEY is buying from new markets in an attempt to end dependence on energy imports *from traditional suppliers in* the Middle East.

Istanbul businessmen say Turkey recently warned Iran that its demands for higher oil prices were exorbitant, and that it planned to buy crude oil from new suppliers such as China.

The Minister of State who handles Turkish trade with Iran, Mr Mustafa Tinaz Titiz, yesterday confirmed that Iran had made an unacceptable demand for a price hike for its crude supplies but said he hoped the problem could be resolved through negotiations "*in a period of a month or so.*"

Earlier in the week, it was announced that Turkey hoped to buy liquefied natural gas from Algeria, apparently to offset political risks involved in a deal with the Soviet Union under which it would supply natural gas to western Turkey through a pipeline running through Istanbul to Ankara.

Turkey plans to build a terminal outside Istanbul which can take liquefied gas arriving by sea and pass it into the pipeline. The building of the *pipeline will be under way at* the end of this month and is expected to be completed by the summer of 1988.

Turkey imports around 70 per cent of its energy consumption as it has only limited reserves of coal, crude oil, and lignite.

It has recently begun large-scale purchases of low-ash coal from South Africa, which will be used for central heating in Ankara.

GEC, Bendix compete in Boeing deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

GEC AVIONICS, part of the GEC group, has been selected by Boeing Commercial Airplane Company of the US to compete in the pre-production development of advanced flight control computers for the new 7J7 twin-engined advanced technology airliner.

The 7J7 will use the revolutionary new "prop-fan" propulsion system, under development by General Electric of the US and other engine companies, and is due to enter service in 1992.

After a keenly-fought contest, Boeing selected only two major companies — GEC Avionics and Bendix of the US — to compete for the 7J7's flight control computers. They will carry out parallel developments and Boeing will take a final decision on which company will win the contract.

GEC Avionics has proposed a computer design with introduces new concepts aimed at increased reliability of operations. It includes "fly-by-wire," in which the aircraft's controls are governed by electronic signals, one of the systems required by Boeing as part of its aim to make the 7J7 as advanced technologically as possible.

Boeing sees an ultimate market for several hundred 7J7s through the 1990s, so that the eventual winner of the flight control computer contract will be assured of orders worth millions of dollars while being in a strong position to bid for similar orders on other manufacturers' prop-fan airliners to be developed over the next decade.

Paris seeks more from gas pact

By Lucy Kellaway

THE FRENCH Government is trying to secure more business for French companies as a precondition for its participation in the giant NKR500bn ($65bn) gas sales contract agreed in principle with Norway last May.

Gaz de France, which had agreed to buy 40 per cent of the gas, has asked for more time to consider the consequences of the deal. It is now trying to secure preferential treatment over its fellow German, Dutch and Belgian buyers, which earlier this week approved the contract.

The Norwegians are being asked to promise business for French companies in the development of the two large gas fields involved, Sliepner and Troll, and to increase their imports of goods from France to correct the trade imbalance which will result from the deal.

A spokesman from Statoil, the Norwegian state-owned gas company said yesterday that the development of the Troll and Sliepner gas fields would go ahead even if the French withdrew. The remaining three partners now have the option to increase the French share, and discussions are under way with other buyers in Spain, Austria and Sweden.

Although Norway is thought unlikely to make any special concessions, the French are not expected to pull out of the deal, which will meet much of the country's gas needs into the next century.

Swiss consider buying Hawk

By David Buchan

SWITZERLAND is considering buying the British Aerospace Hawk jet for its air force and Land Rover vehicles for its army, Mr Jean Pasral Delamuraz, the Swiss defence minister said in London yesterday, after talks with his UK counterpart, Mr George Younger.

But these UK products faced competition for the Swiss order from the Alpha jet made jointly by France and Germany and a type of jeep made by Steyr Puch of Austria, the minister said.

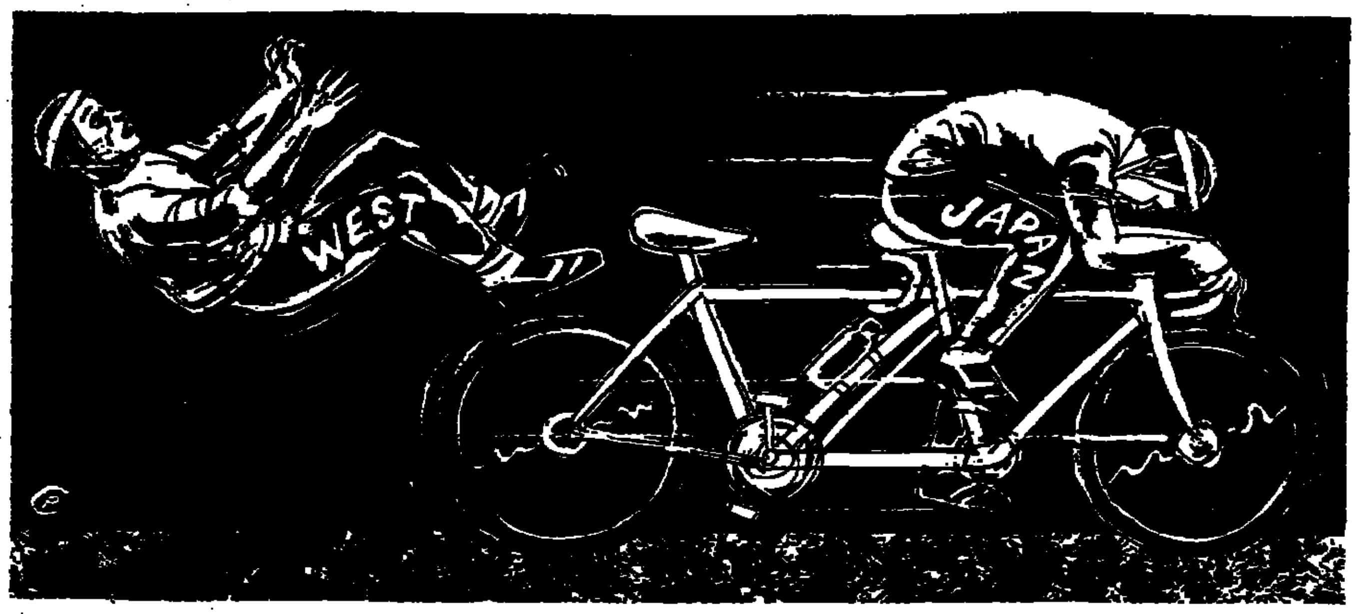
MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

'Triad Power'

How Japan can put a spoke in the wheels of the West

Christopher Lorenz explains why collaboration can rebound



LIKE MOST of its competitors, and much of western industry these days, one of Europe's leading technology-based manufacturers has a collaborative agreement with a fast-rising Japanese company. In theory, the deal extends only to the exchange of technology.

Yet until recently the European company has been blithely introducing prime customers to its Japanese partner. Officially, the purpose has been to show them the latest Japanese products. But the European top management has just realised that the meetings have also given the Japanese precious knowledge about the European marketplace, right down to the detailed demands of individual customers. The policy is now under urgent review.

The situation epitomises the way that Japanese companies see their growing plethora of partnerships with western companies not as a cessation of past hostilities, but as a new—and highly lethal—form of competition.

According to the newly-fashionable gospel of global partnerships between Japanese, US and European companies, a new era of interdependence and power-sharing is emerging. Neither the Japanese nor the western company can succeed on its own, runs the argument. So both must collaborate, to their mutual and long-lasting benefit.

Not so, warns a group of leading US and European academics: that view may be shared by a large number of top US and European companies, but it is dangerously naive.

Instead, the academics argue that the flood of international joint ventures and "strategic partnerships" merely represents a new phase in the vicious competition between Far East and West. It is a phase in which the Japanese are building ever more managerial and technological competence, while western companies surrender ever more control over their competitiveness.

Partnerships are just one more step in a strategy of global dominance by leading Japanese companies, Professor Yves Doz of Insead, the Paris-based business school, told a major international conference in Singapore this week. "Contrary to what some would like to believe, the multiplication of partnerships does not correspond to a genuine change in the logic of Japanese firms, from competition to collaborative strategies."

Doz's paper, on "International Strategic Partnerships—Success or Surrender?", was written jointly with Gary Hamel of the London Business School and Professor C. K. Prahalad of the University of Michigan. The three have been collaborating on an extensive study of global competitiveness over the past few years.

The paper was one of the most controversial contributions to the Strategic Management Society's annual conference, at which 400 managers, consultants and academics met to debate a wide range of issues, from corporate culture to the impact of information technology (see right).

The essence of the Doz-Hamel-Prahalad case is that the ultimate aim of most Japanese companies in their partnerships with the west is not to co-exist, but to extract their partner's core of skills, and then either disarm him into an ever-growing spiral of dependence, or break loose and compete with him directly. Their argument is in stark contrast with the "Triad Power" doctrine formulated, to widespread acclamation in the book of that name by Kenichi Ohmae, head of McKinsey and Co's operations in Tokyo.

The three academics insist that there is nothing anti-Japanese about their argument—it is just that the Japanese are better than the West, *for a host of reasons*, at exploiting partnerships to their own advantage. Most western companies have an awful lot to learn, they warn. They certainly have plenty of tips for them.

Citing a host of examples from a wide range of industries, the trio argues that "the partner intent on global leadership" (which in practice almost always means the Japanese) usually tries to annexe the other partner's skills, and to gain control over its technology, in order "to relegate the other partner to mere product distribution and the provision of less-than-critical contributions."

Among instances where this has already occurred, the academics cite NEC, which has transformed itself from "a rather hapless licencee" of Honeywell in the 1960s to being in a position to join Bull of France in effectively taking control of Honeywell's $2bn worldwide computer business; plans for the deal were announced last month.

Another case of the stronger partner annexing its "ally's" distinctive competence, say the trio, is the collaboration between Honda and BL (now Rover). In the words of their Singapore paper, "Honda made no bones about its desire to learn from Rover aspects of the design of large up-market sedans (saloons), a market segment in which it was not present and lacked experience. Similarly Komatsu relied on its agreements with Cummins to learn about the technology of diesel engines."

Even when the western partner is itself trying to play the same game, the academics argue that the Japanese still hold the whip hand. In its partnership with JVC and Thorn-EMI to make video cassette recorders (known as "J2T"), the French company Thomson has ambitions to learn from JVC's product engineering and manufacturing skills, in order then to re-assert its independence.

Yet Doz, Hamel and Prahalad report that JVC has erected a multitude of barriers against this eventuality. "JVC has constantly accelerated the pace of new product development, of improved product manufacturability, of transitions to new product generations (that is to "slim line" VCRs), so its partners constantly have to catch up, retool, gear up for new types, reinvest in manufacturing, and—given the smaller volume they make jointly for Europe, compared with JVC's own Far East production—incur permanently higher unit costs than JVC despite formidable efforts at cost reduction."

Thomson and Thorn-EMI also develop new VCRs on their own, "but they can only develop very few types, while JVC introduces whole new product generations at short intervals. As a result, the European partners are constantly running to catch up . . . ."

This is only one of many types of competitive advantage which Japanese companies enjoy in partnerships with the West, according to Doz, Hamel and Prahalad. Another is the way the Japanese use evolving—not static—networks of partnerships, both to build their own skills and competitiveness, and to fight "proxy battles" against global leaders such as IBM. A Western company that sees its Japanese link in isolation from all the others, and considers its own relationship immutable, does itself a dangerous disservice.

In the computer industry, both Fujitsu and NEC have gained immeasurable competitive advantage from a welter of partnerships in complementary technologies and geographic markets. Fujitsu's partners, for instance, include Texas Instruments, GTE, ICL, Amdahl, Siemens and Telefonica of Spain.

In the European market, the local partners of both Fujitsu and NEC "have become the front line of the Japanese manufacturers' challenge against IBM," report the academics. So long as the local companies were relatively weak, IBM tolerated them. But now it has grown more aggressive. "Through this process, the (European) partners have become cannon fodder in a global fight, and may, ultimately, be worse off than they would have been before the partnership."

Yet another, but less obvious source of advantage to most Japanese companies in partnership with the West is the greater ability of their organisations to learn from their partners. This results in part from Japan's long tradition of selective absorption and adaptation of foreign ideas and technology, and also from the quality of vertical and horizontal communication in Japanese companies.

By contrast, as Doz and co point out, western companies tend to suffer from the notorious "not invented here" syndrome. And their greater specialisation of task and responsibilities makes the assimilation and use of complex know-how more difficult.

Even less clear to the inexperienced western eye is the fact that information exchanged between the partners, or gained by one of them, outside the formal areas of collaboration is just as important as what is traded within it. Much of the encroachment within any partnership, and the process of "dynamic bargaining" which accompanies it, occurs well down the organisation, out of sight of top management.

Western managers need to become much more aware of this problem, advise the academics. They must recognise where to draw the line, even if this involves aggravating their all-important Japanese partner.

The trio's extensive advice to western companies includes the following points:

● Partnerships are a second-best solution to going-it-alone. They are certainly fashionable, but they should be entered into *only if* really necessary, and then with great care. Significantly, the Japanese are proving most reluctant to co-operate with Korean electronics companies, who are using a succession of separate partnerships of limited duration—in an evolving network—as successive rungs on the ladder to international competitiveness. The Japanese are rightly reluctant, say the academics. By contrast, "US companies are helping Korean firms elbow onto the world electronics markets in the 1980s, as they did for Japanese competitors in the 1960s and 1970s."

● Encroachment can be contained in several ways, mainly by reducing the visibility and transferability of one's own contribution to the partnership. Partnerships in the aerospace industry, for instance, have resorted to very tight control of technology transfers. This includes the "triadic" partnership between Pratt and Whitney, Rolls Royce and a Japanese consortium for the development of the V2500 jet engine. But the academics are concerned about this venture on other grounds, including the advantage Japan may gain by having some of the same companies collaborate with Boeing on a different project.

● Western partners must constantly replenish their own core skills (such as product development and distribution networks), so that they can increase their bargaining power within the relationship, or their strength outside it.

Above all, Doz, Hamel and Prahalad warn that "the management of relative power within a strategic relationship is a fundamental and often neglected issue that companies approach piecemeal. As a result, many companies may lose more than they gain through partnerships, and may only become aware of this imbalance too late."

By then, they have no option left except to continue a relationship in which they are increasingly dominated. The fate has already befallen many well-known western companies. Hundreds more will follow unless they realise that (in the academics' restrained and elegant phrasing), a simplistic and naive view of the merits of "triadic" partnerships "can be quite detrimental to the long-term success of American and European firms." Put more succinctly, it can kill them.

Asia grapples with corporate culture

THIS WEEK'S gathering of the eight-year-old Strategic Management Society was the first to be held in Asia. Its theme, Cultures and Competitive Strategies, is especially crucial for the future development of indigenous companies in the Pacific Rim.

As national economies continue to stagnate, particularly in ASEAN countries, local conglomerates are pushing hard to expand into international markets. According to management theorist Gordon Redding, this may mean a major shift in corporate culture from one dominated by the family to one heavily influenced by technocrats.

Professor Redding points out that the enclaves of overseas Chinese still tend to be the driving force behind many economic success stories, from Thailand and Malaysia, to Singapore and Taiwan. But the old style of doing business makes it difficult for these family-run firms to expand internationally.

According to Redding they rely largely on a Mafia-like organisation which flourishes best under laissez faire governments. In order to maintain tight family control the business is kept small through low capital investment. Until technology transformed the ways of doing business, Redding says, "there was no mechanism to produce large scale operations" such as those found in South Korea or Japan.

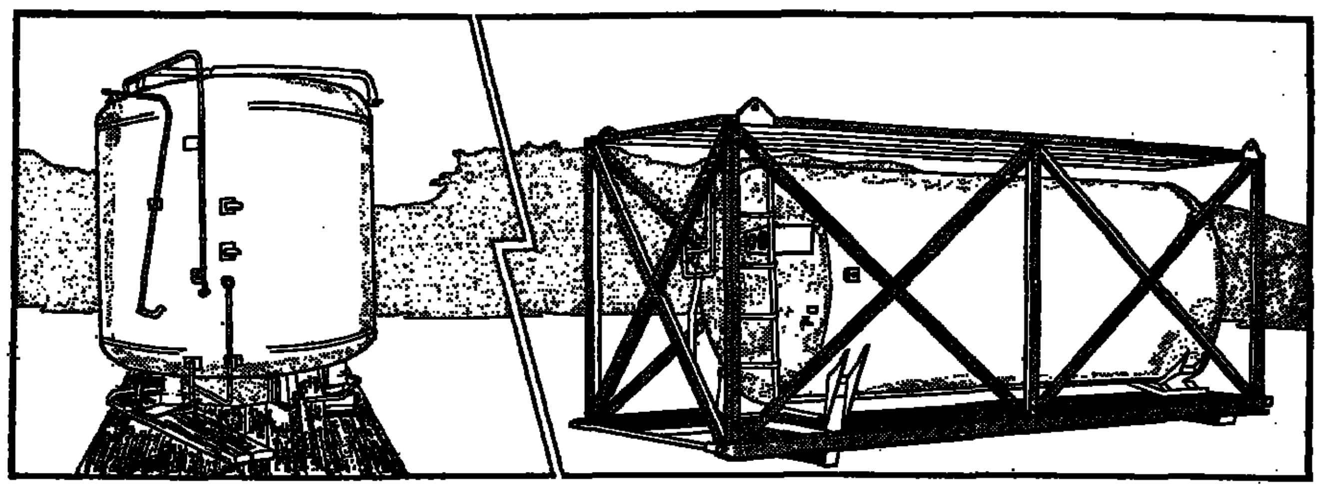
Today, however, he says "the family businesses are well aware that the old system will not work any more, and the younger generation is seeking advice" about how to modernise their management.

Redding and Professor Derek Channon, president of the SMS, admit that in manufacturing the Chinese have more *difficulty building "big" organisations*. This often requires substantial capital investment, a commitment the Chinese are often unwilling to make without immediate financial return. It also means expanding the management circle outside the family, which requires a good deal of trust.

However, Channon thinks the trend towards "flexible manufacturing" through advanced technology will help.

Stephanie Yanchinski

TECHNOLOGY



Route to convenient use of liquid nitrogen. VF's vertical tank (left) boasts the same capacity as its horizontal counterpart (right)

Standing up to rigours of the road

Tony Jackson looks at an alternative form of liquid gas container

IF THE price is right, liquid nitrogen can be employed in all sorts of ways. You can use it to lift old floor tiles, to freeze food and to crush scrap iron. It comes in handy for North Sea oil production, and in the manufacture of jelly babies.

These uses are based on either of two main properties. First, it is very, very cold. Second, when it warms up it expands 700 times in volume, and so is a handy source of pressure.

But to compete as a means of pressure and refrigeration, it must do so on price and convenience. Manufacturers such as BOC in the UK and l'Air Liquide in France have invested huge amounts in bringing down the cost of production. Now, a small British engineering firm claims to have made a useful advance in shipping liquid nitrogen around.

VF Engineering of Alton, Hampshire has designed a portable tank that can be picked up and taken direct to the place of work. Nitrogen is starting to be used, for instance, to freeze unstable soil during construction work, and to freeze off sections of oil pipeline while repairing leaks. In such cases having the supply directly on the spot can save money, since piping over long distances warms the liquid and uses more of it.

Basically, gases like nitrogen are transported in three ways—pressurised in cylinders, refrigerated in road tankers or refrigerated in portable tanks. VF Engineering's tank, however, differs in the fact that it stands upright instead of lying flat.

To understand why this matters, imagine a glass jar two thirds full of water lying on its side. The water has a large surface area, and if it is sloshed around the surface area changes shape. If the surface of nitrogen is disturbed in this way, the liquid tends to boil and revert to a gas.

If, on the other hand, the jar is upright, the surface area is smaller and stays more or less circular as the jar moves around. With nitrogen, this means that less pressure—and less energy—is needed to keep it in the right liquid state for easy pumping.

But there is a snag. It is not normally permissible to transport objects around the roads of Europe if they are more than 8 ft wide and 9 ft 6 ins high. With a horizontal cylinder this is no problem—its width of 8 ft is also its height, and it can be a good deal longer than that. The problem is to design a vertical cylinder only 9 ft 6 ins high which will compete with a horizontal cylinder on capacity, and hence on economics.

VF Engineering claims to have solved this problem. Liquid nitrogen containers are rather like enormous vacuum flasks, with insulation packed between the inner and outer skins.

Mr Don Tantam, an ex-BOC engineer in charge of designing the project, says "we've developed insulation which keeps the space between the two vessels as small as possible. The standard space would be between 6 ins and 9 ins. We've brought it down to 2 ins, so instead of losing 18 ins on the diameter, we're only losing 4 ins."

The result is a vertical vessel with a capacity of 7,500 litres—equal in size to the standard large horizontal vessels now in use. The biggest transportable vertical vessels currently available, says Mr Tantam, run only to 200 litres (the supplier is Minnesota Valley Engineering, a US company).

All sorts of advantages are claimed for the VF containers. By comparison with standard nitrogen or oxygen cylinders, the tanks are certainly lighter. Since cylinders work on very high pressure rather than refrigeration (and are also much smaller in diameter), they weigh about 10 times as much as their contents. With the new tank, says Mr Tantam, the ratio is one-to-one—six tonnes empty, 12 tonnes full.

Although the new tanks will compete, in their modest way, with the cylinders and tankers owned by the gas producers such as BOC, there is no reason why they should not be welcomed. Use of industrial gases, BOC reckons, is rising at about twice the rate of the UK's GNP (gross national product), and this not entirely due to falling real prices.

US team brings out the animal in microchips

NEW COMPUTING technology could arise from a novel attempt to repeat electronically some of the thought processes of the brain. Animals, for example, can recognise an object in a few milliseconds, while a camera and image analyser, using a modern minicomputer, might take several seconds.

The reason is that animal "computing" processes use a collection of neurons in an associative process that deploys all the components at once, whereas electronic computers tackle the problem literally bit by bit, or at best, in the latest "parallel" processing, in large groups of bits at a time.

An unusual team of life scientists, physicists and engineers at Bell Laboratories at Holmdel, New Jersey in the US, is trying to make computer chips that use all their power at once to solve a problem. Called electronic neural networks (ENNs), these chips use amplifiers to imitate the neurons or nerve cells of nature, while resistors take the place of the synapses, the interconnection points of neurons. Since, however, there is no electro-chemistry involved—as in animals—the electronic system is expected to act much more quickly.

The most complex chip achieved so far has 256 neurons containing 25,000 transistors and 100,000 resistors. This chip has yet to be fully tested, but earlier devices have been used to store names, for example, and retrieve them in a fraction of a microsecond.

Bell Labs plans to explore ENN in specialised image processors to extract significant features from, say, a captured frame of a TV picture. The associative behaviour of the ENN would allow it to recognise changed features in the picture and classify them correctly — an important requirement in on-line macine vision for automation.

WORTH WATCHING

Edited by Geoff Charlish

PERSONAL COMPUTERS and peripheral devices like disk stores and printers can communicate over a building's mains cables using a system called Powernet 300. Both time and cost of installing such communications is reduced because no new cable has to be put in.

Introduced by Radamec Electronics of Crowthorne, Berkshire, UK (0344 775115), the system has a coding generator which enables up to 80 separate units (computers or peripherals) to be connected together.

EXTENDING the life of tools through deep cryogenic processing (DCP) is to be investigated in a multi-client study by Battelle of Columbus, Ohio (614 424 7984).

DCP involves subjecting cutting and other tools to temperatures down to minus 320 deg F for periods ranging from hours to several days. The process involves very slow freezing and equally slow return to room temperatures. Tool life is extended by several times, but Battelle is investigating the process further.

It will analyse existing reported experience in this area and will then look into the effect of varying the process, whether consistent improvements can be made, the exact mechanisms involved and the effect of materials used.

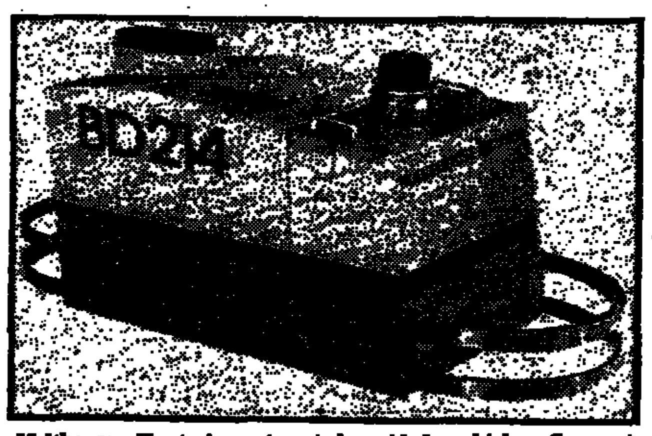
Client membership of the two-year programme costs $10,000 per company.

Cost of small computers falls in UK

MICROCOMPUTER PRICES in the UK continue to fall in spite of the increase in unit sales, according to Romtec of Maidenhead, UK. The market research company's August analysis showed a decline in revenue of 18 per cent despite a 4 per cent increase in the number of units sold between January and August.

Over the same period the average cost of a microcomputer has fallen from £2,997 to £2,347 a decrease of 22 per cent. Romtec is on 628 74242.

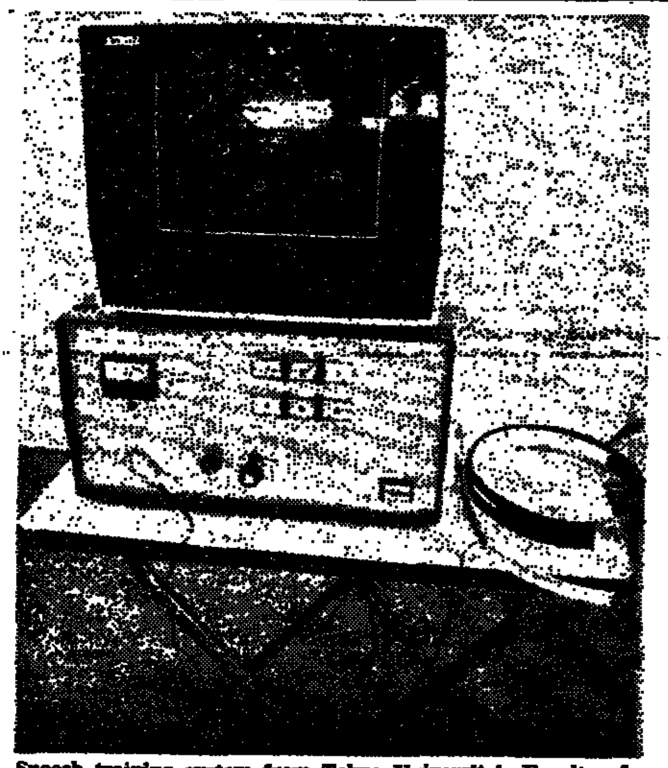
Easing the load of factory automation



Malthouse Hunter's automated guided vehicle: Compact transport for use in computer integrated manufacturing

AUTOMATIC GUIDED vehicles (AGVs) designed for use in computer integrated manufacturing have been introduced by Malthouse Hunter of Sturminster Newton, Dorset, UK (02586 641).

Compact (500 x 940 mm) and highly manoeuvrable, the vehicles have three programmable speeds. They can stop to an accuracy of 3 mm carrying 100 kg and can work between automation "islands" or within flexible manufacturing cells. For use within fully computer - networked systems, they have their own microcomputer which can communicate with a central AGV processor over the inductive guidance wiring.



Speech training system from Tokyo University's Faculty of Engineering

Japan puts emphasis on electronic help for the handicapped

Roy Garner, in Tokyo, reports on innovative equipment displayed at this year's Health and Welfare Exhibition

JAPAN IS putting increasing emphasis on high technology in a drive to improve the everyday lives of the physically handicapped.

Notable among exhibits at the recent International Health and Welfare Exhibition '86, held in Tokyo, were a computerised system allowing the hearing-impaired to correct their own speech disorders; an automatic page turning and book reading system for the visually-handicapped, and a guidance system for the blind, which features a magnetic sensor-equipped walking stick and audio messaging.

It is often difficult to provide adequate speech therapy for the hearing-impaired, because training is very time-consuming and highly-trained speech therapists are in short supply.

To ease this problem, Tokyo University Faculty of Engineering has developed a system—based on Japanese and American technologies—which allows the hearing-impaired person to work independently on some of the basic speech sounds.

The equipment consists of a display unit, microphone and keyboard and is controlled by a simply micro-processor and signal-processor device.

The user can choose from four different training modes covering speech intensity and pitch and the pronunciation of vowels and diphthongs. A more advanced system which also handles consonant sounds is now under development.

During voice intensity training, the user is presented with a series of horizontal "boundary" lines on the monitor. These correspond to natural speech parameters and are selected by the speech therapist to match individual voice characteristics. The users voice appears as a cursor which moves horizontally from left to right across the screen, and the task is to maintain the rising and falling dot within the "target" boundaries.

The input speech signals are monitored at a rate of approx 15 to 20 times per second, and past cursor positions are not erased so that progress can easily be monitored.

Pitch training uses a familiar format but is based on a contour display model input by the therapist.

In vowel training, the letters a, e, i, o, u appear at different positions on the screen. The cursor appears as a single point and only moves towards its target as corresponding vowel sounds are voiced.

By using a cursor "trace" mode, the student can also practise "homing in" on a target pronunciation. Tokyo University researcher Takashi Komeda says that hearing-impaired children who have made weekly visits to the development project, over the past six months, "now pronounce more clearly and more naturally."

Although the prototype cost Y1m ($6,500), he estimates it could be produced commercially for around Y200,000, and reports that several companies have already expressed an interest in the equipment.

A speech training system for home use has also been jointly developed by Matsushita Electric Industries and Rion Co. This unit offers a visual display of the ideal shape and position of the tongue and other vocal organs during speech.

The automatic book reader for the visually handicapped is being developed by NEC Environment Engineering and Anritsu Electric Co. The system consists of a page-turning and scanning unit, produced by Anritsu, and an image-processing and speech synthesising unit from NEC.

Anritsu spokesman Hitoshi Yaguchi says the current page-turning prototype can successfully turn A6 size pages of a 150pp book, although the book binding must be of a standard format. Speed is slow, however, with one page turn taking 25 seconds. The NEC image-processing unit is still under development and no estimate is yet available as to when commercial application is to start.

As an aid to blind people the latest "mobility support system." developed by NEC Environment Engineering is a special white cane equipped with a magnetic sensor at its base and a small vibrator in the handle. The vibrator is activated when the cane makes contact with magnetic markers laid in the pavement.

The marker lane can either be in the form of specially-treated bricks or paints containing Ferrite powder.

At road intersections or steps, antenna devices buried in the pavement pick up the electro-magnetic signal generated by the approaching cane and activate a synthesized voice information device. This offers recorded information on hazards ahead, or services available.

The system can also be activated by Braille touch sensors fitted in adjacent handrails. The basic guidance systems have already been installed in three Japanese provincial towns, but the high cost of the antenna/speaker system (Y2.4m per unit) has so far precluded any further practical applications.

Other new technologies demonstrated at the Tokyo exhibition included a computer-assisted Braille word-processor, a keyboard/mouse (touch-screen device) emulator for use by the severely physically handicapped and a range of innovative wheelchair designs featuring multi-directional movement.

Probably the most ambitious handicap - assistance project, however, is a "seeing-eye dog robot" programme, which has been under development at the Mechanical Engineering Laboratory of Japan's Ministry of International Trade and Industry since 1976.

A prototype mobile unit which can move forward or to left and right according to spoken instructions, and which can recognise obstacles, has already been produced, but much work has yet to be done before the robot will be able to ease Japan's acute shortage of guide dogs for the blind.

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TOURISM

Jim Jones reports on a sharp fall in foreign holidaymakers

Cloud over South Africa

THIS CHRISTMAS holiday season will be crucial for South Africa's tourism and hotel industry, now staggering from a series of body blows. Apart from providing a needed boost to year-end profit figures, performances during the southern summer will indicate whether the industry holds any prospects for future recovery.

Government officials tend to get hot under the collar when they discuss the reasons for an alleged one-third drop in foreign holidaymakers visiting South Africa in the first six months of this year. Foreign television crews are the particular aggravation. If they had not filmed all those black township riots which were shown on prime news spots around the world, it is implied, there would be far less of a problem.

In the first six months of this year the number of foreign visitors to South Africa fell by 32 per cent according to Mr P. S. Rautenbach, deputy chairman of the South African Tourism Board (SATB). Official statistics show a different pattern—in the first seven months of this year 348,027 foreign visitors, which includes people on business as well as holidaymakers, arrived in South Africa. That was 16.3 per cent less than the 417,128 who came in the first seven months of 1985.

Official figures are not always reliable, but whatever the number, fewer foreigners are heading to the holiday playgrounds of South Africa. The decline had already set in in 1985 when only 548,777 foreign holidaymakers came to South Africa against 583,524 in 1984.

The lower numbers have contributed to hotel room occupancy rates sliding almost steadily to a seasonally adjusted 34 per cent in the first half of this year from the mid-1984 plateau of about 45 per cent. South Africans themselves have not helped much. Despite the SATB's exhortations to visit South Africa first and "see a world in one country," the recessionary squeeze on family budgets has curbed most white holidays.

Black South Africans are a growing factor in the domestic tourism market, but there are far fewer facilities at affordable prices open to them than are available to whites, although application of the apartheid laws in hotels and restaurants is theoretically a thing of the past.

During the first half of this year the country's hotels sold 3.67m guest nights and earned R787m ($352m) against 6.66m guest nights and R804m in the corresponding period of 1985. The figures exclude those of casino/hotel complexes in South Africa's nominally independent black homelands. Those within striking distance of the main urban areas continue to do a roaring trade, largely because of their gambling takes.

South Africa has missed much of the boom in world tourism of the past 20 years. That is despite the fact that the scenery is more diverse and more beautiful than most, that its climate is outstanding, that it hash an abundance of wildlife in well-maintained national parks, that its roads are practically empty when compared with those of Europe and that holidaymaking is comparatively cheap.

The decline in the number of foreign visitors to South Africa had already set in in 1985 when only 548,777 came compared with 583,524 in 1984. In the first seven months of 1986 the number fell by 16 per cent, according to official statistics. Hotel occupancy rates have slid from 45 per cent in mid-1984 to 34 per cent

In part the blame lies with South African Airways (SAA), the national carrier which operates a cosy pool with a handful of foreign airlines flying into Johannesburg's Jan Smuts airport. Unlike airports in Kenya or Spain, for example, Jan Smuts sees precious few charter flights hauling package holiday tourists eager to be cocooned from reality during a sun-soaked fortnight. SAA and its pool partners stick closely to fares agreed by Iata, and the authorities limit the number of flights allowed so that most intercontinental flights leaving Jan Smuts are full.

The other side of the coin is that no South African or foreign developer has chosen to build the local version of the Costa del Sol, targeted largely at the foreign tourist. Mr Bruno Corte, the managing director of Southern Sun, the largest South African hotel chain, believes that any hotel or resort development can be viable only if it attracts most of its business locally. He points to this year's difficulties in Kenya where, he says, the number of foreign visitors declined and hurt the tourist-dominated economy.

South Africa, Mr Corte reckons, receives about 100,000 bona fide package tourists each year, whereas Australia brings in about half a million. He adds that the number of tour groups coming to South Africa in the first half of this year is only half what it was in the first six months of last year. Mr Corte's views on the need to rely largely on domestic business are echoed by some of his competitors who point to the periodic problems faced by Spain when the tourists give those resorts a miss.

There is some logic to this argument, but the comparatively insular approach probably stems from the lack of foreign investor interest in the South African hotel business. Trust House Forte pulled out several years ago. Westin manages Johannesburg's Carlton Hotel but has no interest in the property, and the only foreign-owned hotel of any size is Cape Town's venerable Mount Nelson, which has belonged to British and Commonwealth Shipping for decades.

Nor are any foreign investors likely to break into the South African market. Like so many other sectors of the economy, the top end of the hotel trade is dominated by a few comparatively large groups. Southern Sun, which is the only purely domestic hotel group quoted on the Johannesburg Stock Exchange and which is controlled by beer monopolist South African Breweries, merged with the local Holiday Inn chain in April 1985 to form a nationwide chain of 49 hotels with an annual turnover of R224m.

At least one of the plans which led to the merger and which persuaded the country's Competition Board to permit the merger has been put on ice as foreign tourists stayed away from South Africa in droves.

The intention had been to develop a package tour business in conjunction with Safmarine, which is South Africa's largest shipping line and which is controlled by Holiday Inns' erstwhile parent. Safmarine was to bring in package tourists on cruise liners and tap a largely untouched market. In April last year neither the Competition Board nor the hotel trade foresaw the havoc South Africa's black township insurrection would wreak on the foreign tourist trade. The magnitude of the loss is underlined by Mr Corte who says that early in 1985 a lot of incentive groups came to South Africa from the US. This year 80 per cent of the groups which planned to come have cancelled.

Protea Hotels, Southern Sun's largest competitor, has also decided that there is merit in size. It has been steadily attracting independent hotels into its group and has 46 hotels trading under the Protea name.

Southern Sun has closed its New York marketing office and shifted the focus of its marketing effort to the West Coast. Even there it has decided to keep a low profile and to promote business through direct contact with traditional suppliers rather than aiming marketing campaigns directly at the public.

Hotel companies have decided to shift their attention to wooing South African holidaymakers, to help fill the rooms vacated by business travellers. The aim is to persuade South Africans who believe they cannot afford a single holiday of up to three weeks in an hotel to take a number of shorter holidays. Mr Corte estimates that so far only about 15 per cent of Southern Sun's guests are black.

Special deals and price reductions abound, though they have not fully reversed the occupancy rate decline. Nor, judging by the official figures, have South Africans given up their holidays abroad despite the rand's decline and stringent foreign exchange allowances. According to the official statistics 210,322 South African residents went abroad on holiday in the first seven months of this year against 212,909 in the first seven months of last year.

The trouble with this year's statistic is that it may well include a comparatively large number of emigrants, particularly young, newly-qualified South Africans who will not be returning if they find jobs abroad.

Personal

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UK NEWS

Price pact for ferry companies rejected

A REQUEST by Britain's two biggest ferry companies, for release from commitments preventing them from agreeing common prices, has been rejected by Mr Paul Channon, Trade and Industry Secretary, writes Andrew Taylor.

Sealink UK, owned by Sea Containers, and Townsend Thoresen, part of European Ferries, wanted to co-ordinate prices to present a united front against competition from the Channel Tunnel, due to open in 1993.

The two undertook not to agree prices, in 1979. This followed a Monopolies Commission report in 1974 which said that the "harmonisation conference" which cross-Channel ferry companies used to establish minimum prices operated against the public interest.

Mr Channon said that companies were not prohibited from jointly considering ways in which to respond to competition from the Tunnel but they should not be permitted to agree tariffs.

European Ferries said later it was not surprised by the decision. It was pleased that the two companies could get together to discuss joint strategy.

☐ PROPERTY income certificates, a form of security new to the London market, will be traded on the Stock Exchange from early next year.

Known as "Pincs," the certificates are an entitlement to a portion of the rental income from a single property. They are coupled with a share in a management company set up to run the property in question.

Pincs are the first step towards the creation of a new property financial market based not on property companies but on single buildings or developments such as shopping centres or business parks. They could bring a greater degree of liquidity to the property market generally, if trading is active and investment interest widespread.

☐ MEMBERS of the Property Owners Building Society, which had assets of £226m at the end of last year, have agreed to a merger with the Woolwich Equitable, which had assets of £7.2bn.

Just over the 75 per cent necessary voted in favour of the merger, which still needs formal sanction by the Building Societies Commission. It becomes effective on December 1.

☐ GUINNESS unveiled a non-alcoholic lager called Kaliber, aimed at "the new generation of beer drinkers who want a real beer but who do not always want alcohol or excessive calories." The company has invested £1.5m in an automated brewery for the lager at its Park Royal, West London, plant and will spend about £3.5m on advertising and promotion.

☐ TOP priority is being given by Mr Michael Spicer, Minister for Aviation, to developing facilities for business and executive aircraft at Northolt and Farnborough airfields, near London. The aim is to enable business and executive jets and other company aircraft to use those airfields and to reduce congestion at Heathrow and Gatwick.

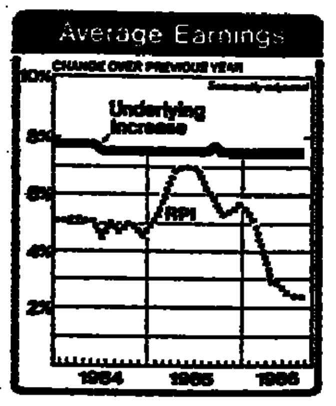
☐ CUT-PRICE travel organiser, Mr Riaz Dooley, who runs the Travel Bazaar in London, is offering a cheap return fare between Heathrow and Peking of £399, which compares with the normal economy return of £1,626. He says accommodation could be arranged on a daily basis starting from £18 a night in a good hotel.

☐ INSURERS are worried by a rise in the number of burglaries which helped to push theft claims against UK companies up by 12.4 per cent in the first half of this year. Interim figures from the Association of British Insurers showed a sudden acceleration in the long-term trend towards bigger and more frequent claims.

Sharp fall in total of underlying jobless

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S underlying jobless total showed a sizeable fall in September and there are indications that the long-standing upward trend in the official figures may be levelling off.



The Department of Employment said yesterday that the seasonally adjusted total claiming unemployment benefit fell by 22,000 to 3.15m last month, the largest single drop since 1979. Over the past six months, which gives a rough guide to the underlying trend the total has fallen by 380 per month.

The unadjusted figure, however, rose by 55,000 in September to 3.33m as summer school-leavers became eligible to claim benefit for the the first time.

Government officials were reluctant to say that the six-month pattern marks a decisive turning-point after seven years of lengthening dole queues. They are no longer sticking to their previous assessment, however, that the underlying trend is for monthly increases of about 5,000.

Lord Young, the Employment Secretary, was more upbeat. He said the fall in the adjusted total and a continuing rise in the number of vacancies "can only give encouragement to all concerned about the level of unemployment."

"This is the greatest monthly fall since April 1979 and part of the credit must be given to the Restart programme which endeavours to help the long-term unemployed find a route back to work," he said.

Mr John Prescott, Labour's shadow employment secretary, denounced the figures as disgraceful and accused the Government of managing the statistics downwards in the run-up to a general election.

Over the past year, the expansion of special employment measures has taken an additional 60,000 people off the claimant register. At the end of August, a total of 360,000 adults were covered by the measures and a further 330,000 school-leavers were on the Youth Training Scheme.

The annual rate of growth in average earnings during August was 7½ per cent, the same as in every month except one since July 1984.

City firms meet computer deadline

By Alan Cane

ALL CITY of London firms planning to be market makers in Government stocks (gilts) or equities after deregulation of the London Stock Market on October 27 have now convinced the stock exchange authorities that their trading computer technology is up to standard.

Firms which did not meet yesterday afternoon's deadline would have been able to trade on October 27 only if they had used the stock exchange's own computer terminals.

Three market makers have decided temporarily to abandon their own in-house computer systems in favour of the stock exchange terminals until after Big Bang. No firm is going into the changes relying only on its own system.

The stock exchange terminals, essential for the Seaq Level III service, allow market makers to input and change their prices and report their deals to the exchange both for the central information service and for surveillance.

The information service, Seaq (Stock Exchange Automated Quotations) is designed to distribute price information to all market makers and broker/dealers in the market whether they are located on the market floor or in their own offices.

Nick Bunker writes: UK banks are heading for a direct clash with the Securities and Investment Board (SIB), the City's new watchdog body, over a key principle of the SIB's proposed investor protection regime.

The conflict concerns the concept of "polarisation," which the SIB wants to apply in the marketing of investment products such as life assurance and unit trusts.

The Committee of London and Scottish Bankers issued a statement yesterday claiming that they were fighting for consumer choice by opposing the SIB's polarisation proposals. Under polarisation, bank branches would have to choose to act either as fully independent intermediaries, advising on products from a range of companies, or as company representatives selling only their own.

Mr Peter Leslie, chairman of the CLSB's chief executive officers' committee, said: "If implemented, the SIB's proposals would inevitably restrict the way in which bank staff could respond to the needs of customers."

Lawyers warned on impact of EEC product liability directive

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN TORQUAY

THE EUROPEAN Community directive on product liability would have a significant impact on UK law and a dramatic effect on the legal liabilities of manufacturing industry, the Law Society conference in Torquay was told yesterday.

Manufacturers would face the prospect of increased liability to consumers, increased insurance costs and increased record-keeping obligations, Mr Peter Groves, of the Society of Motor Manufacturers and Traders, said.

Consumers would no longer need to prove that the manufacturer of defective goods was negligent, which would remove a formidable burden to the recovery of damages, especially in cases where it was technically difficult to prove fault.

Retailers would no longer find themselves in the front line when consumers complained about defects. They would still have to bear primary responsibility in many cases, but the opening of a direct line of attack to the manufacturer would enable many consumers to dispose of their grievances much more effectively.

Mr Groves said the object of the directive, which is likely soon to be incorporated into English law, was to harmonise product liability laws throughout the Community, removing national divergences that might distort competition and hinder the free movement of goods.

The desirability of harmonisation was made apparent by the state of trade between the UK and the US, where product liability laws had differed for some time.

Strict liability in the US had resulted not only in a number of outrageous decisions but also in the escalation of product liability premiums to the extent that British companies (among others) were unable to afford them and were stopping exports to the US.

Solicitors were accused at the conference of responding "reluctantly and late" to social and legal changes in Britain and of being less than interested in developing services for the many areas of unmet legal need.

Free enterprise private legal practice did not ensure that skilled services were available where they were needed, particularly by the most disadvantaged members of the public, Mrs Elizabeth Filkin, director of the National Association of Citizens Advice Bureaux, told the conference.

She said that the law now regulated many areas of fundamental importance in the everyday lives of poor people. For example, mass long-term unemployment and economic disruption had brought 6m people – the unemployed and their dependents – starkly up against social security laws.

New Jaguar stopped by mass walk-out

By Arthur Smith
Midlands Correspondent

A WALK-OUT by 1,000 workers halted all assembly of Jaguar saloon cars yesterday, including the new XJ6, the acknowledged star of the British Motor Show now being staged in Birmingham.

Workers will return to the Coventry factory for a meeting this morning but union leaders were doubtful last night whether they would resume production.

The dispute flared on the track where the new car is being assembled and centred on the use of industrial engineers, traditionally known as "the time and motion men." Workers on the adjoining track making the old model walked out in sympathy.

The company said the industrial engineers were examining the timing and standards for manning: "We know there are productivity savings to be made. We want to use them to ensure the car is competitive."

The XJ6, the result of a six-year £200m development programme, went into production only six weeks ago for its launch on October 8.

Output is currently running at only 150 cars a week and the industrial engineers will be used extensively as production is stepped up

Granada buys Laskys from Ladbroke Group

BY CHARLES BATCHELOR

GRANADA GROUP, with interests in television, bingo and motorway service areas, is expanding its retail operations by the purchase for £30m of Laskys, the loss-making audio and video chain, from Ladbroke Group, the betting and leisure company.

Granada's arrival in the electrical retailing market is likely to increase already tough competition between Dixons, which acquired Currys in 1984 and Comet, which is being expanded by its owners Woolworth Holdings.

Granada plans to double the size of the Laskys' chain over the next four years at a cost of £25m. At present the company comprises 25 stores. It has net tangible assets of £22m.

This deal was partly a result of unsuccessful talks aimed at a complete merger between Granada and Ladbroke earlier this year. These talks were called off in January but in the course of discussions the two companies identified Laskys as an area of common interest.

Granada will finance the purchase of Laskys by issuing 10.6m new shares. The entire issue has been taken up by Salomon Brothers, the US investment bank, in a "bought deal," a common US stock market tactic which is increasingly being imported into the UK.

Salomon has paid 282p a share, just 2p less than Granada's closing price of 284p on Wednesday, and a smaller discount than would have been necessary in a conventional vendor placing, Granada said.

Granada bought Laskys – which then had 34 stores – for £3m from Audiotronic (Retail) in October 1979 but because of its small size in a very competitive market it has never achieved its hoped-for potential.

A cost-cutting campaign succeeded in reducing its pre-tax loss to £945,000 on turnover of £80m in the year to June 1986. But Laskys does not fit in with Ladbroke's retailing plans. It wants to expand its Texas Homecare supermarket chain acquired for £201m from Home Charm last March.

"This allows us to concentrate on Texas," said Mr Keith Edelman, Ladbroke's planning director. "It has 4m square feet of sales area and we are opening a new store every two weeks. This means we open the equivalent of Laskys' total floor space every two months."

ELECTRICITY COUNCIL RENEWS N-POWER COMMITMENT

Further plants hinge on Sizewell verdict

BY MAURICE SAMUELSON

CLEARANCE by the end of this year of the controversial plan to build Britain's first pressurised water reactor at Sizewell, on the east coast of England, would prompt plans for a further four or five similar plants, the Electricity Council said yesterday.

The long-awaited report on the Sizewell inquiry, which ended in April last year after a record 27 months, is expected shortly. The council said that if the project received approval by the end of this year the plant could be running in the 1990s.

The council, the industry's umbrella body made the forecast in its medium-term development plan which maps the industry's prospects in England and Wales over the next seven years.

The document firmly restates the industry's commitment to nuclear power as a way of reducing costs and reducing over-dependence on coal and oil and repeatedly acknowledges the strength of public anxiety after the Chernobyl disaster this year in the Soviet Union. It rejects suggestions, aired at the Labour party conference, that nuclear power plans should be frozen or phased out.

Introducing the plan, Sir Philip Jones, the council chairman, writes: "We do not believe that this would be in the best interests of our customers or the nation, since nuclear energy offers diversity of fuel supply and is the cheapest way of producing electricity."

According to the council, closure of existing stations, at present supplying 17 per cent of total generation, would mean substantial asset write-offs and the need for very substantial capital expenditure for replacement capacity and new transmission. "Depending on the financial approaches adopted and the rate of closure, it is conceivable that electricity costs could eventually be up to 30 per cent higher as a result."

There would also be continuing cost, for a considerable time, even if stations were closed and the rapid closure of all nuclear plants would be likely to lead to general disruptions to supply in the early 1990s "and local problems almost immediately."

But despite the beneficial economics of nuclear power stations, the longer term expansion of nuclear capacity would depend on the restoration of public confidence in safety after Chernobyl.

However, even if it attained a "realistic" programme of pressurised water reactor stations, coal, together with uranium, would be a mainstay of electricity generation and construction would have to begin on one or more new coal-fired stations.

The industry laid great emphasis on reducing the price of coal which accounted on average for some 35 per cent of the electricity price to customers. After the recent agreement between British Coal and the Central Electricity Generating Board, it was hoped that a steadily increased tonnage of British coal would be supplied at prices related to the cheaper world market.

Lower coal prices would also be sought by retaining the option to import coal, by ensuring that private UK mines supplied a significant quantity to power stations at competitive prices, and to increase, where possible, the amount of coal brought into power stations by road rather than rail.

As a result of the deal with British Coal, the electricity industry had refrained from taking advantage of this year's drop in oil prices by significant additional use of its oil-fired stations. However, the oil-fired stations would be kept ready for use both to meet higher electricity demand and because of the continuing uncertainty over consent for new nuclear stations.

Such steps were in line with the aim of achieving an average annual rate of return on net assets of 2.75 per cent for the three years to 1987/88 and a cut in controllable costs in real terms of 6.1 per cent.

Significant cost reductions had already been made and the industry was currently focusing on restructuring its institutions and improving its lines of communication.

In the longer term, electricity was expected to improve its share of the UK energy market, especially as prices of competing fossil fuels were likely to increase despite the latest softening of oil prices.

Data exchange 'must be open'

BY ALAN CANE

FINANCIAL TIMES CONFERENCE
Electronic Financial Services

AN AWARENESS that the customer will have the last word in deciding whether an electronically-based financial service proves successful or not, has taken the place of blind faith that technology will provide a competitive advantage.

This was the clear message from the second day of the Financial Times conference, electronic financial services – the key to competitive advantage, which closed in London yesterday.

Mr Bert Morris, general manager of National Westminster Bank's management services division, warned that while any organisation that wanted to be a serious competitor in financial services could not ignore electronic banking, investment in technology would not automatically bring results: "No business can afford to be driven by technology and the years now have the greater voice."

The point was reinforced by Mr Harvey Fopp, a senior vice-president with American Express Europe, who said that success in electronic banking would be determined by the customer's acceptance of products and services the technology could deliver.

He fired a fierce broadside against protectionism and favoured open information exchange: "Protectionism will obsolete technology, isolate our industries and become a form of economic heroin – an injection brings a sense of temporary well-being, but in the end it undermines the whole system."

The present uncertainty over the development of a national cashless shopping or Eftpos (electronic funds transfer at the point of sale) system in the UK was underlined by the absence of a speaker from the 'senior' Eftpos development group, the second such withdrawal from an electronic banking conference in two weeks.

Mr John Pilmaster, chief manager, Eftpos, for Lloyds Bank, told the conference the issues involved were profound and complex: "I feel there are grave dangers from those who seek only a clear, simple solution to the question of a national Eftpos system rather than engage in the remorseless grind of development and compromise. Our aim must be to accomodate the aspirations and overcome the problems of the participants and this is no mean task."

Mr Alan Bolton, marketing director for Mobil Oil, said that on the basis of experiments carried out by the company, he was sure customers would accept a reliable, efficient and sensibly costed Eftpos system.

He warned there would have to be careful consideration of three points. First, the cost to the retailer. Second, the need to ensure competition between companies providing Eftpos services: "If a centralised system leads to lack of competition and the imposition of standard solutions on different sorts of retail businesses, Eftpos will be a bitter bone of contention for years to come." And third, the need to avoid a proliferation of terminals on the counter.

The question of co-operation versus competition in the development of large and complex banking services was explored by Mr Hessel Kok, chief executive of Swift, the international interbank message network.

He argued that the lead conferred by a technological innovation that could have taken three years to develop could be undermined in 12 months. The response in many cases, he said was to form alliances. That had been the secret of Swift's success.

Mr Jamie Graham, manager for finance industry marketing at Geisco, the computing services company, described the development of cash management services, the electronic links between banks and their corporate customers.

Mr Roger Dent, head of electronic banking, Europe, for Chemical Bank, emphasised the importance of exchange of account information between banks to an efficient cash management service. Chemical Bank operates a service called Data Exchange through which about 2,300 banks supply balance information. About 220 of these were able to supply detailed account information over the network.

Mr Colin Heap of the Bank of Scotland, said small businesses were just as much in need of electronic cash management as large companies.

The system had to be simple, low-cost, timely and include facilities for moving cash from one account to another.

Shake-up in boardroom at Renold

By Nick Garnett

MR NIGEL BLAKSTAD, managing director of Renold, the Manchester-based engineering group, left the company yesterday in a boardroom shake-up. Sir Campbell Adamson, the non-executive chairman, resigned in protest.

A statement announcing Mr Blakstad's departure said Renold figures for the first half of this year would be only at breakeven or slightly better against a pre-tax profit of £2.5m for the same period last year. The group made a profit of £7.8m last year on a turnover of £130m.

Mr Peter Frost, chairman of the Volex group and since 1984 a non-executive director at Renold, which is the frequent target of takeover rumours, has been elected by the board to take over from Sir Campbell. His title will be chairman, at least until Mr Blackstad's successor is appointed.

Mr Blakstad, who was managing director for seven years, masterminded a restructuring at Renold over the past four years. Last night he insisted that the company had been put on a sound footing.

North Sea refunds are offset by non-oil tax

BY JANET BUSH

BUOYANT non-oil tax revenues helped to offset the Government's refund to North Sea oil companies of around £1bn in oil tax during September.

Despite the repayment of Petroleum Revenue Tax, the Public Sector Borrowing Requirement still reached £2.2bn in the month, bringing total government borrowing to £6bn in the first six months of the current fiscal year. This compares with a total of £5.6bn at the same stage in fiscal 1985/86. The PSBR in August was £1.8bn.

The PSBR in September was lower than most forecasts which had looked for a requirement of nearer £3bn. Prices of UK Government bonds edged up around ¼ percentage point immediately after release of the figures yesterday but failed to consolidate their gains in a market which was waiting for the Chancellor of the Exchequer's Mansion House speech.

The cumulative PSBR for the first six months is now near to the Government's target for the whole year of £7.1bn officials point out that the bulk of Inland Revenue receipts fall in the second half of the financial year.

In addition, the Government has received only about £1.2bn in receipts from its privatisation programme out of its target for the full year of £4.75bn. The Government appears confident it can hit its PSBR target and have funds left over to reduce taxes in the Budget in March.

Despite the weakness of the UK gilt-edged market, officials said the Government's funding programme was broadly on track and noted that the burden of digesting government paper would shift away from the gilt market to the equity market in the second half.

The Treasury said Inland Revenue receipts were around £1bn higher in September than a year earlier and the Customs and Excise take was around £1.7bn higher than a year ago. Both were slightly down on August but this can be accounted for by the normal irregularities in tax payments throughout the year.

Central government borrowing in September totalled £2.53bn, giving a cumulative total of £10.3m in the first six months of the current financial year. This compares with central government borrowing in August of £1.1bn.

While the PSBR, which includes state asset sales as negative expenditure, may turn out on target, analysts noted that the Public Sector Financial Deficit, which is calculated roughly by adding asset sales to the PSBR, is rising as a proportion of money GDP.

The Treasury sees a PSFD in the current year of around £12.2bn, which would be 3.2 per cent of assumed money GDP. This compares with a PSFD in fiscal 1985/86 of around £7.7bn, only 2.15 per cent of money GDP.

Bus companies show interest in axle range

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

SEVERAL truck and bus companies, most of them European, are showing interest in a range of light-weight, drive axles developed jointly at the cost of DM 15m since 1985 by MAN, West Germany's second-largest heavy vehicle producer, and the Eaton Corporation of the US.

An agreement for manufacture of the axle range for medium and heavy trucks and buses was signed by MAN and the UK subsidiary of Eaton at the Birmingham Motor Show yesterday.

Three types of single-reduction, hypoid axles are to be produced. MAN will manufacture two heavy-truck versions at Munich while Eaton's factory in Pamplona, Spain, will make the third type, for medium trucks, starting in the spring.

Mr Wilfried Lochte, chairman of MAN Commercial Vehicles, said in Birmingham yesterday that the joint venture was on schedule and, as had been the original intention, the new axles would be built in existing factories on the existing equipment, so no additional capital expenditure would be required.

By the end of the 1980s, the axles would be used by about half of MAN's new generation of trucks, said Mr Lochte, so demand from the German group will be about 15,000 a year. Eaton will sell them to other customers world-wide so, the ultimate production should be much greater.

Discussions with other truck makers about the use of the new axles are "in an advanced stage."

The deal between Eaton and MAN is the only one of three significant truck component joint venture projects to survive the stresses such negotiations impose on potential partners.

Rockwell of the US and the state-owned Renault Vehicules Industriels group announced last year they intended to cooperate over the development of a new range of commercial vehicle gearboxes but Mr Philippe Gras, RVIs chairman, said recently the prospect of the deal going ahead was "zero".

Dana of the US and ZF, the West German group, also recently announced that their long-running joint-venture talks for truck transmissions had been called off.

Court imposes 12-year ban on JMB debtor

By Terry Povey

MR MAHMUD SIPRA, who was the largest single debtor of Johnson Matthey Bankers (JMB), was yesterday barred for 12 years from being a director of any UK company.

The application was made in the High Court in London by the Official Receiver and was not opposed.

Mr Sipra ran the mainly offshore El Saeed group of companies which were involved in shipping, commodity trading and film finance. When JMB collapsed at the end of September 1984 with debts of £250m – it was later rescued by the Bank of England – the group owed JMB some $70m (£48.9m).

Yesterday the court was told that Eurostem Maritime and six other UK registered companies run by Mr Sipra had been compulsorily wound-up in 1985 and that the conduct of the directors of these companies had been investigated by the liquidator.

It was because of this investigation – which found that in the case of Eurostem alone there was a deficiency of at least £22m – that the Official Receiver made the application for disqualification.

Lawson restates faith in strategy


Nigel Lawson: "Exchange rate fall was inevitable"

THE CHANCELLOR, in his speech at the Mansion House last night, said:

"The Big Bang, and all it stands for, is above all a response for intense international competitive pressures. The major financial centres are fast becoming part of a global market in which innovation is a way of life, and traditional distinctions, between national and international markets, and between different kinds of financial institutions, are becoming increasingly blurred.

"No-one here tonight needs reminding that the Big Bang is only a beginning. A great prize is within our grasp. A thriving financial sector is crucial to the success of any free enterprise economy. But what we have here in London is much more than that: a national asset of enormous potential, whose success will bring great benefits to the whole country.

"It is quite likely that the new climate will prove too bracing for some. And if it does, it should go without saying that it will not be the job of the authorities to prevent financial companies from going out of business, though there is a clear responsibility to minimise the risk of their customers being dragged down with them.

"Meanwhile, I do not share the pessimism of those who fear that British players will account for a disproportionate share of the casualties. However level the playing field, the home team is not without its advantages. British firms have moved swiftly to attract new capital.

"We welcome those of all nations in the City of London. But the Government is committed to obtaining reciprocal treatment for British firms in other financial centres.

"In particular, my ministerial colleagues and I have made this position clear to the Japanese authorities, and I am pleased to say that in the past year or so five more UK-owned houses have been granted licences to operate in Tokyo. More are in the pipeline.

"The Government attaches the highest importance to effective supervision, investor protection, and the energetic prosecution of fraud.

"On a number of recent occasions, I have expressed concern at the fact that British industry is still much too inclined to take the short-term view.

"This manifests itself in too little spent on training, too little on research and development, and too much on pay.

"But short-termism is not merely an affliction of industry: it is our national ailment. And certainly in the view of industry itself, the most virulent form of the disease is to be found among the City institutions and the financial markets.

"On this august occasion, last year, I set out our financial strategy in the clearest terms. In April of this year, in a speech to the Lombard Association, I explained at some length how monetary policy—and also fiscal policy, but in particular monetary policy—is conducted, within the context of that strategy.

"Since both the strategy and its implementation remain precisely as I set out in those two speeches, you will be glad to know that I do not propose to weary you by repeating it yet again tonight.

"There are, I know, those who still complain of being confused—and judging by what they write, some are indeed confused. But they are either simply complaining that the world is a complicated place, which sadly is all too true, and is something that grown-ups have to come to terms with; or else they are so wedded to confusion that it would be grossly improper to try and separate them from it.

"Today's figures for the PSBR for September, and thus for the first six months of the financial year, show that public borrowing is broadly on track. And this is in a context in which the United Kingdom, unlike many other countries, has experienced a gently declining ratio of public debt to national income, at a time of falling inflation. So there is no problem on the fiscal front.

"Broad money and credit have been growing fast, and I understand the concern that has been aroused on that score. As I pointed out last year, it was clear that the liberalisation of the financial system, the end of mortgage rationing, and the increased competition between financial institutions would lead to a steady increase in the ratio of broad money to GDP. This, indeed, has been a consistent feature of the 1980s. There is every sign that people are holding the increased amounts of broad money quite willingly. And so long as this is so, its growth is not inflationary.

"One aspect of this is that the ratio of personal debt to personal income has risen. But the rise has been matched by a similar growth in personal holdings of liquid assets, and the personal debt ratio is still below the comparable figure in the United States.

"So neither broad money nor credit was a trigger for this week's rise in interest rates.

"What could not be ignored was that more reliable indicators, such as narrow money, as measured by MO, and in particular the exchange rate, were indicating an easing of monetary conditions.

"Given the precipitate collapse of the oil price, it was inevitable and indeed necessary that the exchange rate should fall so as to enable—after the invitable delay known as the J-curve—non-oil exports to rise to offset at least the greater part of the fall in oil export revenues. But there are clearly limits to the necessary and desirable extent of that fall.

"Moreover, the growth of MO, although well within its target range, has edged upwards, and in all the circumstances it seemed desirable to seek to bring it back towards the centre of the range.

"It was therefore necessary, in order to maintain the financial strategy on track, to raise interest rates.

"I know there are some — the small businessman, the home owner; people whose interests are at the heart of this Government's concerns — who are disappointed that I have had to raise interest rates at all.

"Short-term interest rates, as I pointed out in my Lombard speech, are the essential instrument of monetary policy.

"This my objective has to be to keep them, on average, at whatever level is necessary to produce monetary conditions that bear down on inflation.

"In current circumstances, the Governor and I judged that this required a rise in interest rates of one per cent, giving a substantial margin over equivalent dollar rates and implying UK rates of something like 8 per cent in real terms.

"Given this assessment, to have moved in the fevered and turbulent market atmosphere of the fortnight that followed the Washington meetings would not have been sensible.

"It would inevitably have meant a rise of 2 per cent, as indeed the press were predicting at the time, which would have been excessive. And, as I have said before, and shown by my actions in January and February, I have no more wish to see monetary conditions too tight than I have to see them too lax.

"It therefore seemed sensible to wait until calm had been restored to the markets, and then make the appropriate move.

"I do not conceal that there is necessarily a large element of judgment in this, both of monetary conditions and of market tactics.

"Finally, I turn to the outlook for the UK economy. Since I spoke here last year, the world has been going through a difficult phase of adjusting to the major shifts in relative prices which have occurred over the past year or so. The dollar, commodity prices, and in particular the oil price have all changed by massive amounts.

"The initial effect of these upheavals has been to slow down somewhat the growth of world activity. But just as, after each of the massive oil price increases in the seventies, there was a delay of some months before output was adversely affected, so the benefits to economic activity from cheaper oil are only now beginning to emerge.

"I would expect to see a gradual quickening in the pace of world economic growth over the next year.

"In this country, domestic demand has risen rapidly this year, as expected at the time of the Budget. Inflation has fallen even more sharply than forecast. Even excluding the effect of mortgage rates, which somewhat idiosyncratically we include in the Retail Price Index, inflation is now only a little above 3 per cent, and I would expect it to continue at around this level over the next few months.

"What has been disappointing is the growth of world trade, and thus of UK exports, particularly over the last year and the first quarter of this. Imports to the industrialised countries have accelerated along with higher domestic demand, but the oil and commodity producers have cut back their omports much faster than expected.

"As a result, after almost five years of steady growth of approaching 3 per cent a year, overall UK output growth so far this year has been rather less than I envisaged at the time of the Budget. But I do not expect that pause to continue, and output growth next year should be faster.

"Despite last month's freak trade figures, it is clear that exports have resumed the vigorous growth they showed before the pause began.

"Looking ahead to 1987, while domestic demand is likely to grow at about the same rate as this year, exports should continue the better performance of recent months. This should produce balanced growth at a sustainable pace. And that should help to allay some of the exaggerated fears that have been expressed about the effect of the oil price collapse on the balance of payments.

"Finally, although it is never wise to draw too many conclusions from the outturn for a single month, it is encouraging that today's unemployment figures show the biggest fall since we first took office more than seven years ago. Job vacancies, too, are at their highest level since 1979. And it bears repeating that since the last general election a million new jobs have been created, and total employment has risen for thirteen successive quarters — the longest period of uninterrupted growth in employment this country has known for almost 30 years.

"The Medium-Term Financial Strategy has been, and will continue to be, a discipline for us, and a table framework within which the private sector can plan. The ultimate objective is — and will remain — the complete elimination of inflation. Within that framework, we have put in place a series of policies to improve the supply side of the economy—policies of deregulation, of tax reduction, of tax reform, of privatisation, and of wider share ownership, all of which will bring increasing benefits over time.

"The events of the past year have once again revealed the underlying strength of the British economy. I can assure you, my Lord Mayor, that I shall do all in my power to maintain the policies which brought about that strength."

Governor urges Big Bang restraint

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE GOVERNOR of the Bank of England appealed last night to all market participants to show restraint and avoid excessive competition after the Big Bang, now only ten days away.

In what is likely to be his last opportunity to address the City publicly before October 27, Mr Robin Leigh-Pemberton spoke at the Mansion House of his fear that deregulation would lead some firms to overreach themselves and suffer losses.

Some might even have to withdraw from the markets, thoug no one should view that as a failure of the system because there was a limit to how far regulators should interfere

"Consequently, it will be vital for all market participants to exercise a degree of restraint," he said, alluding to widespread predictions that trading capacity after Big Bang would be greatly in excess of actual volumes, and that many dealers would have trouble operating at a profit, particularly in the gilt-edged market for which the Bank is responsible.

Mr Leigh-Pemberton warned market-makers and dealer-brokers not to indulge in excessive margin-cutting to build up market share, because, he said, they would only store up trouble for themselves. Predatory pricing would undermine the increased competition that Big Bang was supposed to bring about.

The Governor advised institutional investors not to abuse their bargaining power in negotiating terms with dealers, because it was in their interests to have a widely-based array of intermediaries operating in the markets.

On monetary policy, Mr Leigh-Pemberton said that the recent fall in sterling was "fully sufficient" to adjust the UK's current account to the drop in the oil price without adding to the risk of inflation.

He acknowledged that liquidity and credit had been growing "uncomfortably fast" in the UK, and that there had been heavy speculation against sterling. But, he said, the UK authorities had refused to be rushed into hasty policy decisions by the recent market turbulence.

"Markets deliver important signals, but they also generate a degree of hubbub and it may take time to distinguish the true signal as it emerges from the noise," he said in explanation of the time that the authorities had allowed to elapse before engineering this week's 1 per cent rise in base rates.


Robin Leigh-Pemberton

Failure of regulation 'would carry heavy cost'

By Nick Bunker

LONDON'S financial community would face serious political consequences if it failed to make self-regulation work, Mr Peter Miller, chairman of Lloyd's, the insurance market, said last night.

The price of failure would be "heavy indeed," he said at the Mansion House dinner. It would be likely to produce political results out of all proportion to the extent of the failure.

At the same time, he said, Lloyd's and the City needed to ensure that efficient self-regulation did not stifle wealth-creation: "It is calm voices of balance we need, not the voices of political or media polemic."

Mr Miller said that during a recent trip to the US he spoke to American underwriting members of Lloyd's, who provided much of the market's capital base.

"They were quite clear, and rightly so, that they expected effective self-regulation at Lloyd's," he said. "They expressed themselves satisfied so far with the efforts of the Council of Lloyd's.

"On the other hand, they expressed anxiety at the greatly increased costs of our self-regulation and also at the possibility of the council stifling the market by over-regulation."

The costs of self-regulation at Lloyd's had risen from £3.5m in 1981 to nearly £12m and an enormous amount of management time had been devoted to "re-examination upon re-examination" of what Lloyd's was doing.

Time spent in self-regulation, however, must be time taken away from the activity of obtaining and servicing the insurance business: "Money spent in self-regulation must be money taken from the profits of that business."

"I would enter a plea for all of us to remember that it is the activity itself which provides wealth, not the activity of regulation, vital though the latter is to the success of the former."

SE, Isro merger 'most important event'

BY CLIVE WOLMAN

THE MERGER between the Stock Exchange and the International Securities Regulatory Organisation will be seen as "the most important event of these few turbulent years," Sir Nicholas Goodison, Stock Exchange chairman, said last night.

The merger, which will create a unified exchange and UK and international securities trade regulator, was agreed in September after six months of negotiations between the Stock Exchange and Isro, which represents mainly large foreign-owned banks and securities houses.

The merger, said Sir Nicholas, would be seen as the culmination of many years of effort to strengthen the position of London in the international market-place. It would enable the costs of developing new technological securities dealing systems to be shared between more organisations, and help ensure higher and more consistent regulatory standards.

Sir Nicholas, however, criticised some aspects of the regulatory framework for the City. There were "unfortunate confusions in parts of the much-amended Financial Services Bill." These, he hoped, would be dealt with practically, although it woud not be easy since a system of statutory regulation had been chosen.

In spite of its defects, the bill would have to be passed by Parliament, he said, because it would not do to leave all those areas of investment outside the Stock Exchange unregulated.

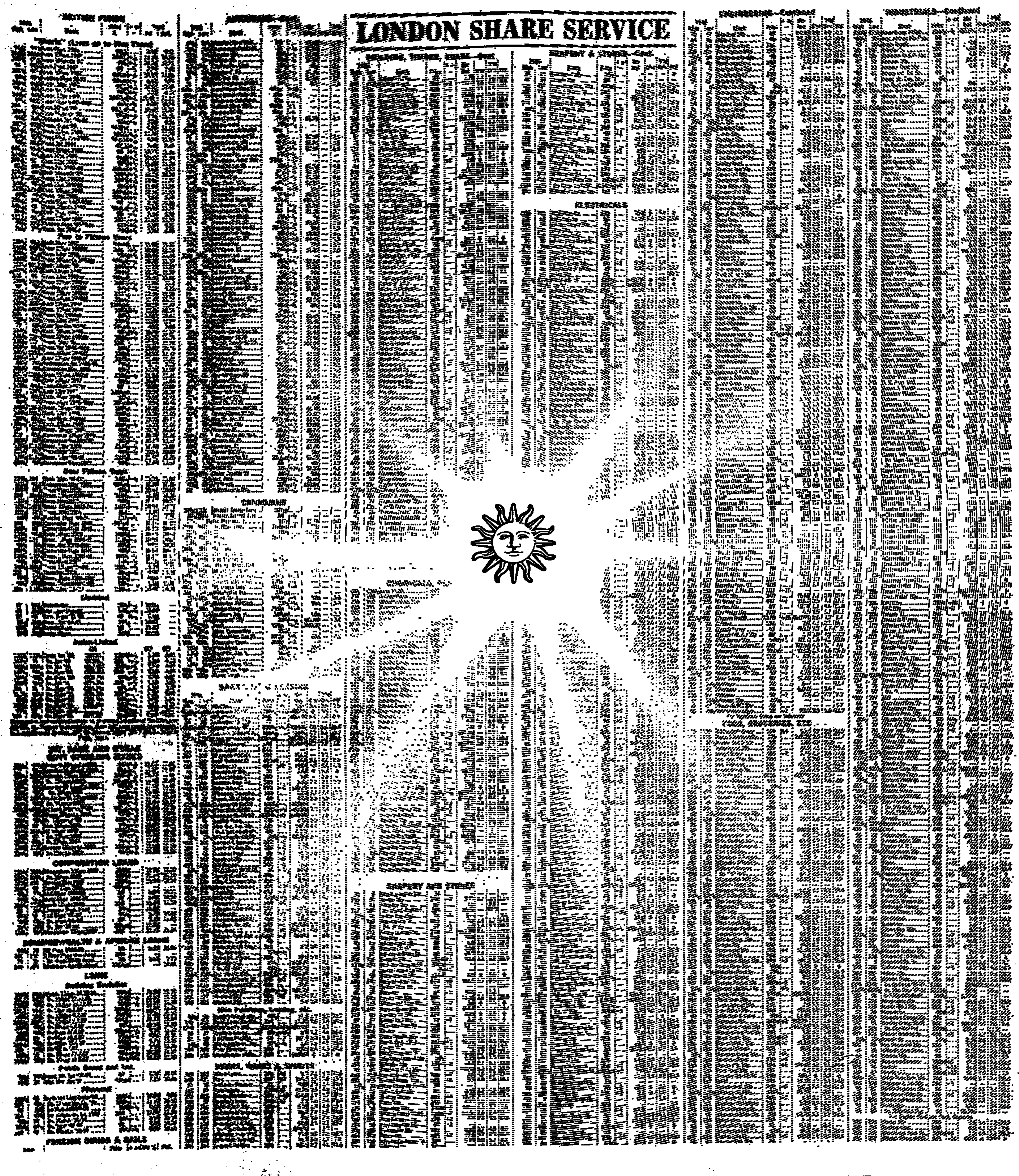
There was a compelling need, however, for greater and swifter co-operation between securities regulators in different countries because of the increase in international investment and capital raised by companies in other countries' markets.

The convergence of the banking and securities business and the growing complexity of financial risks also required more regulatory co-operation. "Banking and securities supervisors no longer have clearly distinct tasks," he said. "They need to get together. We and the Bank of England have set the pattern in the new gilt-edged market."

Sir Nicholas also claimed that foreign participation in the UK capital market, including the Stock Exchange, was greater than in any capital market in the world, in spite of the unlikely foundation of the country's industrial base, economic performance and currency.

"The Government's own borrowing will, within a short space of time, be largely in the hands of foreign-owned firms," he said. "Next year's guests at this traditional dinner will be less British. If this foreign invasion leads governments to pay attention to the macro-economic importance of a capital market, that will be a gain indeed."


Sir Nicholas Goodison: critical of regulatory framework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THE ARTS

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Opera and Ballet

PARIS

The Bolshoi Ballet and the Bolshoi Philharmonic Orchestra present three different programmes: The Golden Age, Raymonda, Giselle, and Mozart and Salieri at the Palais des Congrès. Porte Maillot until October 27 (4758 1494).

The Tokyo Ballet presents Kabuki in Maurice Béjart's choreography at the Palais Garnier and Les Sylphides choreographed by Michel Fokine, Don Giovanni variations by Maurice Béjart and Tam Tam and Percussions by Felix Blaska at the Salle Favart (4742 5750).

ITALY

Florence: Teatro Comunale: An Italian in Algiers conducted by Roberto Abbado and directed by Sonia Frisell includes Lucia Valentini Terrani, Claudio Desderi, and Enzo Dara. Scenery and costumes are by Jean-Pierre Ponnelle (277 9236).

Florence: Teatro Metastasio (Prato): Ballet National de Marseilles in Roland Petit's Pavlova, Les Chemins de la Creation to music by Chopin, Saint-Saens and Tchaikovsky, with scenery by Josef Svoboda (277 9236).

Triester: Teatro Comunale Giuseppe Verdi: Rigoletto conducted by Hubert Soudant and directed by Lamberto Puggelli, with scenery and costumes by Luisa Spinatelli (631 948).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano): Twyla Tharp Dance Company (380 1732).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Tchaikovsky's Eugene Onegin directed by Michael Geliot, with the Netherlands Philharmonic conducted by Christian Badea, and soloists Lenus Carlson, Hans-Peter Blochwitz, Anet Andriessen and Adriana Vanelli (Mon, Thur). Angelo Branduardi with a concert of Yeats poems set to music (Tue). (255 455).

Eindhoven, Schouwburg. The Hoofdstad Operette production of Millöcker's Bettelstudent directed by Alexander Pichler and conducted by Martin Milzer (Wed). (11 11 22).

Nijmegen, Schouwburg. Marc Vanrunxt with his dance production A Dieu (Mon). (22 11 00).

WEST GERMANY

Berlin, Deutsche Oper: Die Lustigen Weiber von Windsor; Lucia di Lammermoor; Tosca, sung in Italian; Hoffmanns Erzählungen; Zar und Zimmermann.

Hamburg, Staatsoper: Der Rosenkavalier has Judith Beckmann, Hildegard Harbig and Kurt Moll. The Magic Flute brings Gabriele Fontana, Martti Talvela and Franz Grundheber together. La Clemenza di Tito has a particularly strong cast with Judith Beckmann, Daphne Evangelatos, Werner Hollweg and Stafford Dean. Also Le Nozze di Figaro.

Frankfurt, Opera: Orpheus in der Unterwelt is a well done repertoire performance. Der Rosenkavalier features Barbara Bonney, Nancy Shade and Aage Haugland. Also Der Zigeunerbaron, conducted by Michael Luig.

VIENNA

Staatsoper: Fidelio; La Traviata conducted by Boncompagni with Cotrubas; Tosca conducted by Bockley with Troitskaja, Aragall, Wixell; Un Ballo in Maschera conducted by Abbado with Price, Pavarotti, Nador, Cappuccilli; Elektra (51 444/26 55).

Volksoper: Hello Dolly; Die Fledermaus; Orpheus in der Unterwelt; Madame Pompadour; Polenblut; La Fille mal Gardée (51 444/26 57).

LONDON

English National Opera, Coliseum: Aida, one of the less successful ENO attempts to put on spectacular Grand Opera, returns with Janice Cairns in the title role, Linda Finnie, Eduardo Alvares, and Patrick Wheatley also in the cast, and the Dutch conductor Kees Bakels making his London debut. Also in repertory: the bright new Mikado, produced by Jonathan Miller without any Japanese costumes or routines, and given lively performances by Eric Idle, Felicity Palmer and Richard Angas (among others; and the irritatingly over-produced Madam Butterfly staging by Graham Vick, with Rosamund Illing and David Rendall in the leading roles. (836 3161).

NEW YORK

Joffrey Ballet (City Center): The five-week, 30th anniversary season features Frederick Ashton's La Fille Malgardee, a newly commissioned work from Mark Morris and the New York premiere of Mark Haim's The Gardens of Boboli. Ends Nov 16. 55th e. of 7th Av (581 7907).

Metropolitan Opera (Opera House): The week features Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo; James Levine conducting Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson; John Dexter's production of Aida is conducted by Nello Santi with Martina Arroyo, Grace Bumbry, and Leo Nucci. Julius Rudel conducts Manon in Gian Carlo Menotti's production with Leona Mitchell, Ermanno Mauro and Brian Schexnayder; Otto Schenk's production of Die Walküre conducted by James Levine with Hildegard Behrens, Jeannine Altmeyer and Simon Estes; and Madama Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Yoko Watanabe, Vasile Moldoveanu and Lenus Carlson. Lincoln Center (362 6000).

CHICAGO

Lyric Opera: Christof Perick conducts Pier Luigi Pizzi's production of Parsifal, a Lyric Opera premiere, with Tatiana Troyanos, Jon Vickers and Hans Sotin. Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli as Mimi and Luis Lima as Rodolpho. (332 2244).

Music

LONDON

London Philharmonic conducted by James Loughran with Luigi Alberto Bianchi, violin. Arnold, Beethoven and Dvořák. Royal Festival Hall (Tue). (928 3191).

English Chamber Orchestra conducted by Raymond Leppard and Malcolm Arnold with Julian Bream, guitar and Richard Adeney, flute. Rossini, Rodrigo, Arnold. Queen Elizabeth Hall (Tue). (928 3191).

BBC Symphony Orchestra conducted by John Pritchard with Hanna Schwarz, mezzo-soprano. Berlioz, Wagner and Tchaikovsky. Royal Festival Hall (Wed).

Philharmonia Orchestra conducted by Esa-Pekka Salonen with Electric Phoenix and John Lill, piano. Berio, Grieg and Debussy. Royal Festival Hall (Thur).

London Sinfonietta conducted by Simon Rattle with Anthony Rolfe Johnson, tenor, and Michael Thompson, horn. Tippett and Britten. Queen Elizabeth Hall (Thur).

PARIS

Orchestre de Paris conducted by Myung-Whun Chung, Yo Yo Ma, cello: Haydn, Dutilleux, Mendelssohn (Wed, Thur). Salle Pleyel (4561 0630).

Aldo Ciccolini, piano. (Tue). Salle Gaveau (4563 2030).

Ensemble Orchestral de Paris conducted by Armin Jordan, Philip Bride, violin. Mozart, Haydn (Tue). Salle Pleyel (4561 0630).

Trio Couperin: Bach, F. Couperin, Handel, J. Kuhnau (Tue). Saint-Severin Church (4277 1583).

Orchestre National d'Ile de France conducted by Pierre Dervaux, Alain Marion, soloist: Dukas, Mozart, Bizet, Ravel (Wed). Salle Gaveau (4563 2030).

BRUSSELS

Palais des Beaux Arts (512 50 45): Academy of St. Martin-in-the-Fields, conductor and violin Kenneth Sillito - Handel, Shostakovitch, Vivaldi (Tue); Royal Opera Symphony Orchestra conducted by Sir John Pritchard with London Voices, Terry Edwards, Yvonne Kenny, Diana Montague, Eberhard Buchner and John Tomlinson - Handel's Messiah (Thur).

ITALY

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano) Orpheus Chamber Orchestra with the pianist Richard Goode playing Bach, Mozart and Haydn (Tue). (380 1732).

NETHERLANDS

Amsterdam, Concertgebouw. The National Philharmonic conducted by Martin Kamminga, with vocalists: Bruckner, Kodaly (Mon). Hartmut Haenchen conducting the Netherlands Philharmonic, with Jutta Zoff, harp, and Irena Grafenauer, flute: Mozart, Mahler (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra, with Theo Bruins, piano, John Shirley-Quirk, declamation, and the Concertgebouw Male Voice Choir under Arthur Oldham: Zemlinsky, Schönberg (Thur). Recital Hall: Dutch chamber music performed by the Mendelssohn Trio (Mon). Bach recital by the Amsterdam Bach Soloists (Tue). Piano recital by Daria Telizyn (Wed). The Orlando Quartet: Haydn, Schnittke, Schubert (Thur). (71 83 45).

Rotterdam, De Doelen. The Osaka Philharmonic conducted by Takashi Asahina, with Tomotada Soh, violin: Toyama, Mendelssohn, Brahms (Tue). Recital Hall: Weber anniversary concert by Mieke van der Sluis, soprano. Eric Hoeprich, clarinet, and Stanley Hoogland, fortepiano: Weber, Schubert (Mon). (414 29 11).

Utrecht, Vredenburg. Hartmut Haenchen conducting the Netherlands Philharmonic, with Maria Graf, harp, and Irena Grafenauer, flute: Mozart, Mahler (Wed). Recital Hall: Heaken Austbö, piano: Liszt, Scriabin, Messiaen (Wed). (31 45 44).

The Hague, Diligentia. The Hague Philharmonic Chamber Ensemble: Balakirev, Enescu, Albrechtsberger, Stallaert, Lutoslawski (Wed). (65 18 51).

Nijmegen, Vereeniging. Riccardo Chailly conducting the Concertgebouw Orchestra, with Jaap van Zweden, violin: Rossini, Paganini, Dvořák (Mon). Recital Hall: Lieder recital by Frans Fiselier, baritone, accompanied by Han Louis Meyer (Wed). (22 11 00).

VIENNA

Siegfried Jerusalem, lieder, Siegfried Mauser, piano. Strauss, Hussel, Mahler. Konzerthaus Mozart Saal (Tue).

Lower Austria Tonkünstler Orchestra conducted by Alfred Eschwe with Helmut Demmer, trumpet, Christian Altenburger, violin. Fuernz, Haydn, Vogel, Ubl, Schubert. Konzerthaus (Wed).

Haydn-Sinfonietta conducted by Manfred Huss. Haydn, Mozart, Strawinsky. Musikverein in Brahms Saal. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Klaus Tennstedt conducting. Alicia de Larrocha piano. Mozart, Bruckner (Tue); Klaus Tennstedt conducting. All-Mahler programme (Thur). Lincoln Center (874 2424).

Kaufmann Hall: Chamber Music at the Y. Mozart, Debussy, Silverman, Schubert (Tue, Wed). 1395 Lexington Av (831 5083).

Basically Bach Festival: The eighth festival covers seven events over the month, centred round performances of Musica Sacra, directed by Richard Westenburg, and ending with a concert of Bach and Handel at Avery Fisher Hall Oct 22nd. Central Presbyterian Church (64th & Park). (873 9546).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Alexander Toradze piano. Walker, Rachmaninov, Dvořák (Tue); Rafael Frühbeck de Burgos conducting, Narciso Yepes guitar. R. Strauss, Rodrigo, Falla (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Lorin Maazel conducting. Hindemith, Mahler (Thur). (435 8111).

Vienna Chamber Ensemble: Weber, Mozart, U-Port Karl Hoken Hall, Gotanda (Tue). (723 2350).

Vienna Symphoniker, conducted by Christopher Eschenbach. Weber, Mozart, Brahms. Tokyo Bunka Kaikan (Tue). (403 1290).

Munich Philharmoniker, conducted by Sergiu Celibidache. Rossini, Richard Strauss, Brahms. Suntory Hall, Akasaka. (Wed). (986 6060; 237 9990).

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holmes's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical, with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Galileo (Goodman): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

NETHERLANDS

Arnhem, Schouwburg. Gylan Kain and Lisa Sove in The Dutchman by Leroi Jones (Fri). (42 27 41).

Nijmegen, Schouwburg. Lamda on tour with Oliver Twist (Sat). (22 11 00).

Maastricht, Schouwburg. The New Vic Theatre Company with Chaucer's Canterbury Tales (Wed). (21 33 00).

TOKYO

Black Lizard: Yukio Mishima's play based on an old Japanese thriller and starring renowned Kabuki onnegata (female impersonator) Tamasaburo as the sophisticated attractive female jewel thief (the Black Lizard). Superb acting by Tamasaburo, excellent stage set and effects make the plot easy to follow, even though in Japanese. Aoyama Theatre, near Shibuya. (342 2817).

Kabuki (Kabuki-za): Kagamiyama Kokyo no Nishikie is a classic play about suicide and revenge among the ladies-in-waiting at the Shogun's palace. Good English programme and simultaneous commentary. Kabuki-za, Higashi Ginza (541 3131).

Kabuki (National Theatre): As part of the theatre's 20th anniversary Japan's most popular Kabuki play Chushingura (Revenge of the 47 Samurai) will be played in its entirety. Good English programme and simultaneous earphone commentary. National Theatre (265 7411).

The Real Thing: The Japanese version of Tom Stoppard's play, directed by Leon Rubin with Bungaku-za troupe starring Toru Emori, Kiwako Taichi, and others. Sunshine Theatre, Sunshine Bunka Kaikan, Sunshine City 4F, Ikebukuro (987 3281).

Cats: Revival of the Shiki Company's production in the specially built tent theatre, directed by Keita Asari. (320 4000).

Chicago (in Japanese): Toho Company production directed and choreographed by Tony Stevens, starring Ran Ohtori and Rei Asami. Imperial Theatre (213 4811).

LONDON

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592).

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of back-stage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielbergy movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Continued on Page 17

Cinema/Nigel Andrews

Madonna on the rocks

Shanghai Surprise directed by Jim Goddard.

Oxford Blues directed by Robert Boris

Blood Red Roses directed by John McGrath

Nightmare on Elm Street Part 2
Cinderella

Transplanting stars is a favourite ploy in movie packaging. Take a screen idol, uproot him from his natural habitat, set him down in a far corner of the world, and see what happens to him.

Or, in Madonna's case, to her. In *Shanghai Surprise* the rock songstress with the husky hungry voice and the habit, when singing, of swishing towards her audience like a sidewinder looking for prey is sent to China to play a missionary. The year is 1937 and here is our heroine, shocking blonde in hair but buttoned up in manner, seeking a lost cache of opium to comfort wounded soldiers in the Sino-Japanese war. And here is the actress's real life husband Sean Penn as the salesman-of-fortune (his speciality, ties that glow in the dark) who also needs the opium: it will buy him a passage back to America. The said cache was lost a year before by an English opium king, now missing presumed drowned, who ill-fatedly crossed a Chinese gang lord.

So we swing into 97 minutes of intended comedy-action. But with brief interludes for wit, the film seems every bit as lost as its deracinated stars. This is one of those movies that have the word "romp" written all through them like a stick of seaside rock. The more you bite into it, the less the word will go away, however sticky and distorted it becomes en route. You know you should be giggling at Madonna's assumption of the missionary position. You know you should get a gossipy tingle from watching Mr and Mrs Penn honeymooning for you on celluloid. And you know you should feel as if you are having a holiday yourself as the film whizzes you through photogenic Shanghai: all that night life, all that gambling, all those Chinese restaurants.

But the direction by Britain's Jim Goddard (late of *Parker*) turns it all into a rickshaw ride through clichés. Pantomime villains rear up in the dark and heroines swoon at the touch of a male kiss. And George Harrison's song-studded score is no consolation for the continual wish that Madonna would slough the pious vestments of straight acting and seize a passing microphone to burst into song.

★

The travel department of American showbiz has been doubly busy this week. Not content with sending Madonna to China, they dispatch Rob Lowe, Hollywood's resident heart-throb, to England. *Oxford Blues* is a *Yank At Oxford*-style comedy clearly designed to mop up at both the British and American box offices. Will rowing ace Lowe tone down his brash yankee individualism to conform with British team spirit, on and off the river? Will he capture the heart of beautiful undergrad Lady Victoria, whose photo in an American newspaper first catapulted him across the ocean?

What results is a movie about a bumptious New-worlder whom most Americans would be ashamed to recognize as their own, set down in a time-warped Oxford which most modern Britishers would be unable to recognize as their own. It seems created out of *Zuleika Dobson* by *Charly's Aunt*. Every male is a Hooray Henry in a boater. Every female is a divinely wilting deb. And champagne swills around the place inexhaustibly as if we were in the roaring 20s rather than the Thatcherite recession.

★

John McGrath's *Blood Red Roses* has plenty to say about the latter. Made for serial consumption on Channel 4 TV (due out later this year), the film appears now in digest form for movie audiences. As digests go, this is a challenge to the digestion: 2½ hours of British social history as we pad gamely in the wake of Bessie Gordon (played by Louise Beattie when young, Elizabeth McLennan when older) as the spunky Scots lass grows up. We traverse thirty years, all the way from Bessie's early abandonment by her Mum—who runs off with her fancy man just before Dad returns from Korea minus a leg—to her and her country's later abandonment by Big Mama Thatcher, who (suggests the film) is a Korean war all by herself; busy cutting off the legs, arms and other disposable items belonging to the poor, oppressed or unemployed.

Between-whiles Bessie is the scourge of every authority figure she meets. "Don't talk such rubbish," she yells at her school chaplain, who is wittering on to his class about the duties of the fair sex. ("For you women, marriage is what life is all about.") She physically assaults her gym teacher. She slags off her boss at work. She yammers at her feckless union-leader husband (Gregor Fisher). She fights multinationals with her bare fists. And since she unrepentantly drinks beer at the pub and eats rissoles and scones for tea, goodness knows what would happen if she ever met Edwina Currie.

The miracle is, she remains a spitfire charmer despite the length of the journey and the potentially disruptive change of actresses in mid-flight. McGrath's long and honourable career as a radical scribe—he wrote *The Bofors Gun*, *The Reckoning* and *The Cheviot, The Stag and the Black, Black Oil*—gives him a sure grasp of how to charm his left-wing believers, and also how to reach out to the unconverted with wit, firm characterisation and the odd Brechtian dash of song on the soundtrack.

The film is harsh, funny, combative and intelligent. The only thing it is not — quite — is a film. Its tendency to dwell on talking heads, and cut-and-thrust duologues on the shop floor or in the front parlour, make it more a thinking man's telly serial: a giant agit-soap, or *Brookside - meets - Buddenbrooks*.

★

Seekers after entertainment more garish and ephemeral may choose between *Nightmare On Elm Street Part 2* and Disney's reissued *Cinderella*. In the first the nasty janitor with the steel-clawed glove returns to wreak havoc in suburban America. In addition to his already familiar skills at laceration, he here displays an ability to combust budgerigars, cause earthquakes and burst out of people's stomachs. (Please do not ask me what he was doing inside them in the first place). In *Cinderella* a poor girl who only wants to tend a domestic fireplace is terrorised by pumpkins which change shape, mice who metamorphose into coach horses and a woman who keeps coming in waving a sparkling stick and claiming a godmaternal relationship. Luckily, Cinders is saved by a handsome Prince and by being thrown into the deep end of some of the most eye-ravishing animation the Disney studios ever created.

Sean Penn and Madonna in "Shanghai Surprise"

The Secret Life of Cartoons/Aldwych

Michael Coveney

Clive Barker's *The Secret Life of Cartoons* is a less than wacky showdown between a New York cartoonist and his rebellious creations. Led by Rosco Rabbit, they interrupt a birthday party with a rabbit hunt that brings Dick Caplan's marriage to the point of disintegration, a wailing neighbour to the brink of a breakdown and the city to a standstill.

Lorraine Caplan (Una Stubbs) is idly [illegible] the dinner [illegible] watching Daffy Duck on TV when in walks Derek Griffiths as Rosco, with rabbit ears and a bob tail and yellow pants. He is scared of Doctor Duck and Beef the Rabbit-Hunter and whips out a large salami to defend himself. Susceptible to the merest hint of sexual connotation, Lorraine paradoxically forgets all about Dick and is seduced by the rabbit. Dick (James Warwick) comes home without his job.

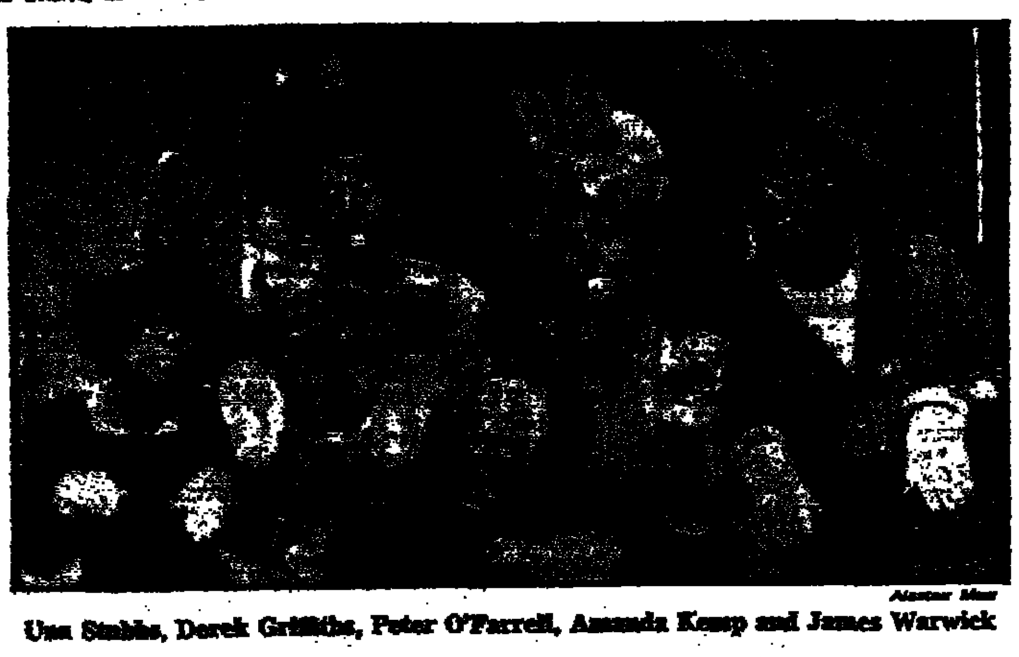
Although Mr Barker, a writer of horror stories and screenplays, [illegible] with his plot [illegible], it appears a cartoon [illegible] has [illegible] a studio patch and [illegible] for the chop. But all hopes that the fictional characters might take [illegible] of sanity [illegible] revenge on the [illegible] are soon dashed in a welter of unfunny chases and tiresome showbiz routines by the star-struck Duck.

The duck and the rabbit, in fact, are competitive turns, Graham James as the web-footed hoofer resisting the meaty interval curtain with a wild impression of Ginger Rogers singing "It's Only a Paper Moon." When he proceeds to give us his Charles Laughton and Al Jolson, the law of diminishing returns sets in; even Rosco jumps through the window as Scarlett O'Hara and the Mouse turns up as James Cagney, presumably because he's a dirty rodent. Then the creatures decamp to Rio (why?) and perform a chaotic rumba while the Caplans are reunited in a romantic (paper) moonscape.

I imagine the show, which has been hastily imported from Plymouth after the collapse of *Annie Get Your Gun*, will appeal to few children and not many more adults. It falls between all sorts of stools and is most lacking in the one ingredient common to all good cartoons—pace.

The idea for the play came from Mel Blanc's arousal from a coma after a car crash when hospital staff adopted the voices of the great vocalist's creations. Derek Griffiths sounds a little like Bugs Bunny ("Hiya, what's cooking?") and Graham James steals Donald Duck's lisping spray gun noise. But these scenes come wobble and even the Manhattan tones are badly handled with the exception of Buster Skeggs' hysterical neighbour.

There is more success in the physical department with Mr Griffiths deploying his formidable gestural technique to scurry across sofas and dive into bedrooms. His affair with Lorraine is weakly complemented by Dick's seduction by Candy the Cat (Amanda Kemp), a fantasy projection of connubial bliss. Geoffrey Hughes as the rabbit-catcher falls out of the window twice: the repetition is just that, with no increase of violence or comic consequence. Martin Johns's design is a colourful New York den, but the predominant tone of the play is one of strained whimsy.



Alastair Muir

Una Stubbs, Derek Griffiths, Peter O'Farrell, Amanda Kemp and James Warwick

Parke Ensemble/October Gallery

Andrew Clements

The Parke Ensemble's autumn concert series concentrates upon the music of three composers John Woolrich, Philip Grange and David Lankester—whose music has yet to find a compliant publisher but which merits more than isolated performances of pieces which may or may not be typical of their output as a whole.

On Wednesday in the October Gallery it was Grange's turn; in an elegantly planned programme his pair of settings of poems by Edward Thomas, On *this Bleak Hut* and *As It Was*, were set against two rarely heard Birtwistle's works and Stravinsky's Cantata.

Last week the Fires of London played Grange's *Variations*, an austere, highly wrought instrumental piece completed earlier this year. The Thomas settings, revealed another, more approachable side to his talent, an ability to match text and musical image with a telling economy of means. The accompanying ensemble for both works is small—flute, clarinet and cello for *Bleak Hut*, written in 1981, two clarinets and piano for *As It Was*, completed last year. In both, the vocal lines are designed for maximum clarity; the instrumental lines carry most of the energy.

Grange, one is reminded, is a highly competent clarinettist, and his music shows a fondness for densely interlaced wind writing that can be tangled into climaxes of great muscularity. In the interludes of both cycles the technique works well, and it would be fascinating to hear him apply his methods to larger forces; but a composer still establishing himself is obliged to write for whatever ensemble is willing to give him a commission, and not many of those are likely to be orchestras.

The October Gallery is kind to neither voices nor instruments, and perhaps for that reason the performances of both works sounded dutiful rather than idiomatic. David Aldred was the tenor soloist in *Bleak Hut*, Mary Wiegold the soprano in *As It Was*, and the same singers appeared in Birtwistle's exquisite 1971 Aeschylus setting *Prologue* (strange now to hear that in a translation other than Tony Harrison's) and the slightly earlier *Cantata*, though again the acoustic did nothing to give the textures buoyancy and shape.

Litton/Festival Hall

Dominic Gill

The conductor of Wednesday's London Philharmonic concert was Andrew Litton—the young American who, four years ago, at the age of 22, won the BBC Rupert Foundation Award, and who has since made regular appearances in London. To call Mr Litton one of the most promising young conductors of his generaton is hardly a generous compliment, since he has the field almost to himself. But his virtues are substantial, and rare enough in themselves: a command of clear, vivid descriptive gesture; an instinctive grasp of rhythmic ebb and flow, and complex rhythmic interplay; a genial and engaging platform presence.

For reasons unexplained, Chaikovsky's "Mozartiana" suite, which was to have opened the programme, was replaced at the last minute by Wagner's *Siegfried Idyll*. The Chaikovsky's delicate instrumentation would have been a revealing test; but Mr Litton's command of the *Idyll* was fluent and easy, quietly eloquent—he made an evident effort, which succeeded and which paid dividends, to achieve the ideal *Idyll* chamber texture with a symphonic body of instruments.

The evening ended with Saint-Saëns's Organ Symphony—frequently revived by London orchestras these days after many decades of relative neglect—and introduced meanwhile the LPO's own principal oboe, Gordan Hunt, in Mozart's C major oboe concerto. It was a special pleasure to find the orchestra reduced for the occasion to no more than a couple of dozen strings and paired oboes and horns — no risk of overshadowing Mr Hunt's small, but mellow and pleasing tone or of forcing him to overblow. It was a low-key, undemonstrative account, remarkable more for its smoothness than for its variety of colour.

Paris dance contest

Freda Pitt

The French love a gala; the French love competitions; put the two together, and success is assured. This year again the Paris International Dance Festival has included the competition for professional dancers in its activities. Last weekend the Opera housed a gala given by the prizewinners and some of the resident stars.

In this second edition French dancers once more walked off with a large number of prizes. Perhaps because of the prior claims of longer-established dance competitions, relatively few countries were represented. Britain was not among them but participated in the decision-making, with Dame Alicia Markova chairman of the international panel of 11 judges for the classical section, and Robert Cohan for the contemporary dance category.

Rather surprisingly, the modern dance entrants tended to make a stronger technical impression than the majority of the classical dancers. Indeed, the only dancer with striking elevation was Christophe Ducher, from the Rennes company, who danced an agreeably zany solo by Gigi Caciuleanu, *Arcachon Cedex*, with complete technical command and great brio. As a jumper, he was closely followed by Koen Onzia, once of London Festival Ballet, now of the Flanders Ballet. Like his French colleague Yannick Bocquin, he appeared in choreography by Valery Panov —with three contributions. Bocquin, who danced twice, received the Ler Grand Prix de la Ville de Paris, but at the gala he was outshone by Onzia, who performed with notable style and unforced virtuosity.

The winner of the contemporary dance Le Grand Prix for men, Bertrand Lombard, was soundly booed. The *Terre Grenadine* he appeared in, a piece of embarrassing whimsy by D. Larrieu, suffered from excessive reliance on the spoken accompaniament. The award of the women's prize to Pascaline Verrier from a French group called Jazz Art, was warmly approved. Jennifer Hanna of the US who danced an excellently conceived solo of her own devising called *Electra* received the Prix Special de la Ville de Paris.

At least the choreography on that occasion was as its creator intended. As much could rarely be claimed for the classical entries. Two distinctly different versions of the inescapable *Don Quixote* pas de deux were both signed Petipa. One of them was given by the most prize-laden couple of all, Spaniards Arantxa Arguelles and Antonio Castilla. Fifteen-year-old Arguelles — now, like her 25-year-old partner, with the Spanish National Ballet, has grown in inches and ability since she won the Eurovision Competition for Young Dancers at Reggio Emilia last year, but her fouettes left a great deal to be desired, and some other steps were fudged.

A cheeringly polished performance of *Flower Festival at Genzano* was given by Nikolai Hubbe, a real charmer from Denmark, and American Anne Adair. The Bournonville piece came like a breath of fresh air, and the couple received several prizes.

The same evening Ludmilla Semenyaka and Irek Mukhamedov were dancing *Raymonda* with the Bolshoi at the Palais des Congres. It was frustrating to miss this opportunity of seeing them together. At the matinee I saw young and dreamy Nina Ananiashvili with Andris Liepa, on his best form. A dancer new to me was Igor Zakharkin, who appeared as Beranger. With Alexey Fadeyechev as Bernard, the couple was a lively and appealing one.

I Commedianti

Rodney Milnes

I Commedianti ("literally 'The Comedians'" as the programme helpfully informs us) is a group under the directorship of the Italian *buffo* Federico Davià. Founded at the beginning of this year, it has performed at Charleston Manor, Norwich, and Dartington. This is its first London appearance, giving three performances each of three-one-acters in the crypt of St Martin-in-the-Fields over the next fortnight.

It is also an Academy, in which young singers under Davià's guidance draw "on the commedia dell'arte style of presentation for those operas which are appropriate offering a charming and unusual evening of entertainment." There are those in whom the very words "commedia dell'arte" strike a note of sheer terror—I confess to being of their number—and any of like mind should steer well clear of Trafalgar Square.

What it means in practice is that constant grimacing, twitching of skirts, rogueish moues, eye-rolling, squinting and brazen hand-on-hips poses follow each other in quick succession at the rate of about 60 to a minute, and that this is judged to be a valid substitute for adult performance. The piece being inappropriately slaughtered on Wednesday's first night was Donizetti's late (1860) and enchanting opéra-comique *Rita*, sung in indifferent Italian. It was depressing to see a talented soprano like Lynore McWhirter being subjected to such indignities, given an often quasi-improvisatory performance by string quartet and piano. This sort of well-meaning shamteurism simply won't do any more.

The other works in the repertory are *Gianni Schicchi* and *La serva padrona*, in both of which Mr Davià—an engaging performer when subjected to the severe discipline of a proper director—also takes part. As the programme further puts it, "sponsors and donations are invited for the 1987 season." You, and they, have been warned.

Saleroom/Annalena McAfee

Museum buys rare clock

A rare 17th century Dutch clock was bought for £121,000 by the London Science Museum yesterday at Sotheby's sale of clocks and watches. The clock, a weight-driven pendulum timepiece with a velvet-covered dial in a gilt frame, was made in 1657 by Jan van Call of Batenburg, Holland. Van Call made a famous clock in Darmstadt and is said to have converted the cathedral clock at Arnhem to pendulum.

The Science Museum's new acquisition sheds further light on the history of the pendulum and has generated some excitement among dealers and private collectors. Bidding at the auction on behalf of the Science Museum was conducted by the London dealer R. A. Lee.

The morning half of the sale made a total of £644,501 with only 4.46 per cent bought in. Bidding was extremely competitive and many lots considerably exceeded their estimated values.

R.A. Lee of London also paid £79,200 for a small Tompion and Banger ebony-veneered bracket clock — more than double its top estimate of £35,000. A 17th century walnut longcase clock from Holyroodhouse, which had been expected to fetch between £35,000 and £45,000, sold for £66,000. A small longcase alarm clock, made for the Italian market and with an estimated value of between £8,000 and £12,000, fetched £52,800. A handsome Tompion ebony - veneered quarter-repeating bracket clock was sold for £41,800, nearly doubling its original estimate of £22,000.

Sotheby's also enjoyed one of its best sales of Victorian drawings, watercolours and British watercolours yesterday. Morning business totalled £436,898 with 10.9 per cent bought in. The top lot was a watercolour landscape of Venice painted in 1892 by Albert Goodwin which was bought for £18,700 by an anonymous buyer. Although the painting had only been expected to realise between £4,000 and £6,000 two recent exhibitions of Goodwin's work in London galleries had revived interest in the artist's work.

The work of Myles Birket Foster—pastoral English scenes usually in watercolour over pencil—are also proving increasingly popular. His "Market Cart" was bought for £14,850 by an anonymous buyer; "A Spring Morning" was bought for £14,080 by the dealer Bourne: another anonymous buyer paid £13,750 for his "Haywain" and "Children Playing with a Kite in front of a Cottage" went for £11,220.

Sotheby's morning sale of silver yesterday totalled £194,078 with 8.24 per cent bought in. The top lot, a George II salver, sold for £4,950 to the London dealer E. C. Koopman.

Christie's sale yesterday of icons and Russian works of art raised a total of £169,807 with 14 per cent bought in. The US dealer Kaplan paid £16,500 for a jewelled, enamel silver casket dated May 1912 and marked with the Imperial warrant of Pavel Ochinnikov, Moscow.

Continued from Page 16

Exhibitions

BRUSSELS

[illegible]

NETHERLANDS

[illegible]

ITALY

[illegible]

LONDON

The Royal Academy: Je Suis le Cahier — the Sketchbooks of Picasso. It is in an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no mission to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply enthralling. Picasso left some 175 sketchbooks from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it consists of work from 45 of the books. Ends Nov 16.

VIENNA

[illegible] — a submerged kingdom of China: according to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. [illegible] Museum of Mankind, Neue Hofburg. Ends Nov 23.

PARIS

[illegible] French court art all over Europe. Grand Palais, closed Tue. Ends Jan 5th (4256 5418).

Brueghel dynasty: the blend of crude realism and poetic vision proper to the Golden Age of Flemish painting is shown in the confrontation of the two Brueghel brothers, Pieter the Younger and Jan the Elder. Galerie d'Art St. Honoré, 267, Rue Saint Honoré (4266 1365).

WEST GERMANY

Essen, Villa Hügel: [illegible] Ends Nov 2.

Cologne, Wallraf Richartz Museum, Museum Ludwig: [illegible] Ends Nov 30. The museum is showing an interesting exhibition of 19th century German and French paintings: romantic, realist and impressionist, with works by Caspar David Friedrich, Adolph von Menzel, Wilhelm Leibl, Max Liebermann, Max Slevogt and Lovis Corinth, Renoir, Monet, Sisley, Degas, Pissarro and Manet. Pictures by James Ensor, Pierre Bonnard and Edouard Vuillard show the way to the 20th century. Ends Nov 16.

Stuttgart, Württembergischer Kunstverein: Artists in Germany from 1900 to 1945 represented with 200 pictures and sculptures. Ends Nov 9.

München, Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23.

Frankfurt, Schirn Kunsthalle und Kunstverein: Prospect 86. [illegible] Ends Nov 2.

NEW YORK

Museum of Modern Art: Vienna 1900, [illegible] Ends Oct 21.

Cooper Hewitt Museum: Hollywood, Legend and Reality [illegible] Ends Oct 25.

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

International Center of Photography: David Hockney's photo collage show, A Wider Perspective, [illegible] Ends Nov 9.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum [illegible] Ends Nov 30.

Hirshhorn Museum: More than 130 paintings, sculptures and drawings [illegible] Ends Nov 16.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, [illegible] Ends Dec 31.

Art Institute: Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibit [illegible] Ends Nov 7.

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Friday October 17 1986

Nobody knows any more

IT IS difficult not to feel a little sympathy for Mr Nigel Lawson. The Chancellor's task in last night's Mansion House speech was to build confidence in UK monetary and exchange rate policy. In present circumstances this is not at all easy. The certainties about policy which characterised the early Thatcher years have melted away. Last April, in his speech to the Lombard Association, Mr Lawson recognised that there were no hard-and-fast relationships between any monetary aggregate and money GDP—the thing the Government is ultimately seeking to control. He could not have been expected to retract such candid admissions last night.

The Treasury has for some time tacitly acknowledged that it is pursuing a pragmatic policy; the sort favoured by responsible central bankers for decades before the rise and decline of monetarism. The policy, as Mr Lawson reiterated last night is to maintain short-term interest rates "on average, at whatever level is necessary to produce monetary conditions that bear down on inflation." What are those conditions? The short answer is that nobody knows. The authorities have to look at the performance of a range of monetary aggregates, broad and narrow; at credit growth and osset prices; and at the exchange rate. They then use their intuition.

Credit growth

It is tempting to dismiss this approach. But what are the alternatives? As Mr Lawson pointed out in April, in the past five years growth of sterling M3 of 75 per cent coincided with money GDP growth of 50 per cent; in the previous five years, the same growth in sterling M3 accompanied an increase in money GDP of more than 100 per cent. The change in the relationship between the two variables was not marginal but fundamental. MO, the narrow money measure the Chancellor favours, has to date had a more stable relationship with money GDP. But the stability might end at any point. The trouble is that the authorities would not know the relationship had broken down until long after the event.

Exactly the same considerations apply to other monetary indicators such as the exchange rate and credit growth. There is no scientific way of determining the "correct" level for sterling against either the dollar, D-Mark or a basket of currencies. Mr Robin Leigh-Pemberton, the Bank of England Governor, last night indicated that he thought the pound's fall had gone far enough, but even he cannot be certain of the scale of depreciation needed following the oil price collapse. Equally, in the wake of financial deregulation, it is hard to judge at what point the rapid expansion of bank credit and consumer debt will pose a threat for future price stability.

Interest rates

By opting to raise interest rates by only one point, the Government is stating clearly that it does not yet regard the pound's depreciation or the expansion of liquidity as posing too serious an inflation threat. Many City analysts disagree with this seat-of-the-pants judgment, but all they can offer in its place is an alternative seat-of-the-pants judgment. The Chancellor's reluctance to raise interest rates further at least shows he is sensitive to the UK's lacklustre output and employment performance, which were hardly transformed by yesterday's slightly better unemployment figures. Real short term interest rates of 7 to 8 per cent are high by any standards, international or historical.

Chancellors of a different political stripe to Mr Lawson would be tempted to seek a way of restraining personal credit expansion without further rises in interest rates. But direct controls would introduce new distortions and would probably be ineffective in today's sophisticated and globally interdependent markets. There seems littel option but to osldier on with the present approach. But it is a pity Mr Lawson is still unable to announce the change of policy he apparently wants but did not mention last night: full membership of the European Monetary System. Within the EMS, some of the theological worries about the appropriate pace of monetary and credit expansion could be shouldered by the Bundesbank.

Unblocking the common market

EEC MINISTERS have crawled another painful inch towards completing the internal market: they have agreed how labels on products like vacuum cleaners should describe the amount of noise they make.

Mr Alan Clark, the UK trade minister currently chairing the internal market council, is reported to have told his colleagues at the meeting last week: "It really is a minor matter. Delay brings all of us into ridicule." There was a sudden hush, Mr Clark declared assent, and brought down his metaphorical gavel.

Britain has made completion of the market the top priority for its six-month presidency, now nearly half over, and its ministers may be forgiven any frustration they feel at the backlog in their programme. More than three-quarters of the 106 decisions supposed to be taken this year are still outstanding.

Snail's pace

The fault, for once, lies not so much in lack of political will: heads of government want to see free movement of goods, services, capital and people throughout the customs union by the target date of 1992. The British, like the Dutch who preceded them in the presidency and the Belgians who are to succeed them, have worked closely together on strategy, if not on tactics.

In many areas, the obstacles now are mainly procedural, and they can be surmounted. Indeed, even officials with long experience of the internal market snail's pace are beginning to sound optimistic. If one takes the simplest measure of progress, the number of bricks laid per month, the internal market edifice is obviously way behind schedule. But if one looks instead at the new building methods being employed, the target seems attainable.

For example, the new approach for setting product standards—mutually acceptable minima instead of Community-wide norms—should mop up the few remaining items on the industrial goods list. The first commodity to be treated this way will be pressure vessels, followed by toys.

The Single Europe Act, still to be ratified in several capitals, should speed things up in other ways by formalising a majority voting system. But its provision for national derogation on public health and environmental issues may have the reverse effect on important questions like vehicle pollution.

Where the programme is most vulnerable, perhaps, is in the fiscal area. Border collection of VAT and excise duty is a serious impediment to trade. Some large pan-European manufacturers like Philips have made their own arrangements; smaller fry suffer a squeeze on their cash flow.

Vague knowledge

A "spring clean" of the internal market programme set out in last year's white paper is also under way, with the aim of weeding out some of the less vital, not to stay pettifogging agenda items. More important is the lesson already learned during the British presidency: that the system is clogged at home, in national capitals.

Ministers go to Brussels laden with briefs from zealous experts on technically difficult subjects, and with only the vaguest knowledge of what the opposition is going to say. They have neither the preparation they need to identify possible compromises nor the political mandate to clinch an agreement. As a consequence, junior ministers of the internal market council are often paralysed with fear of what their senior Cabinet colleagues on other Community councils will say to them when they get home.

The Dutch during their presidency tried to push the programme forward by adopting a kind of parliamentary guillotine that did not work. The British believe their technique of detailed technical preparation and intelligence work at home, co-ordination between national ministries and forward planning with officials of other member states in Brussels is the way to deal with the logjam.

Mr Clark may just have struck lucky last week with the decision on dishwasher decibels. It was a minor decision (except for the makers of white goods), but perhaps an encouraging demonstration of what procedural finesse can accomplish.

EL SALVADOR AFTER THE EARTHQUAKE

Desolation upon desolation

By David Gardner

FOREIGN journalists covering El Salvador's particularly vicious civil war used to refer sardonically to the Salvador del Mundo (Saviour of the World) monument in the capital as "God on the Ball."

The monument, an emotional as well as geographical landmark in San Salvador, had a statue of Christ, for whom this country is improbably named, atop a big stone globe. There was a certain symbolic inevitability about it crashing down when last Friday's earthquake cut right into the centre of the capital, killing on provisional estimates over a thousand people, and injuring 30,000.

The destruction caused by the earthquake, which struck at 11.52 am on Friday with a force of 7.5 on the Richter scale, is massive. A large proportion of the capital's few multi-storey buildings have been seriously damaged or destroyed. Virtually all public buildings have sustained some damage.

Whole working class and shanty neighbourhoods like the San Jacinto and Candelaria districts, fertile breeding grounds for social discontent, have been razed, leaving up to 200,000 people (one-fifth of the capital's population) homeless.

Coming after seven years of civil war which has claimed over 60,000 lives and made a quarter of the country's 5m inhabitants refugees, the disaster poses a further threat to this profoundly unstable society—and presents the embattled government of President Jose Napoleon Duarte with its greatest challenge yet.

Inevitably, parallels are being drawn with the fate of the Somoza dictatorship in neighbouring Nicaragua. Managua, the Nicaraguan capital, was severely damaged by an earthquake in 1972; the Somoza dynasty enriched itself on the international aid which flooded as a result; and by 1979 the left-wing Sandinista movement (then a fifth of the current size of El Salvador's left-wing insurgency) overran the capital at the head of a popular insurrection.

The ghost of Somoza may have been hovering nearby on Sunday night as Mr Duarte warned his ministers, at an impromptu Cabinet meeting held in an army barracks Nissan hut, of the political dangers of mishandling the emergency. "We must tell the people what we are doing. We must not only do the right thing but be seen to be doing the right thing," the Christian Democrat president is understood to have said.

Mr Duarte has reason to be concerned. He has used up most of the political capital he accumulated through his centre-right Christian Democrats party's victory over the powerful extreme right in National Assembly elections 18 months ago.

He has failed to meet expectations that he could achieve a negotiated peace with the 6,000 to 7,000-strong Farabundo Marti National Liberation Front, the coalition of left-wing groups directing the insurgency. Hopes that he would succeed in forcing through structural reforms to the economy to create more jobs and promote a more equal distribution of wealth have been disappointed.

His mercurial personality—the showman is rarely far below the surface—has proved unsuited to the task of grappling with El Salvador's many problems: the war; a ruined and an economy still dominated by the traditional oligarchy, 60 per cent unemployment; and the fragility of a government dependent for its survival on the Army, and on Washington.

All these problems will be exacerbated by the disaster. "Objective economic conditions were already going against us, creating new fertile ground for the guerrillas. I don't see that we have created a single job," says one senior Duarte adviser. "And now the earthquake. . ."

Clearly, the disaster will have some limited positive consequences. But their impact is likely to be short-term at best.

The US, the country's main source of external finance, is almost certain to step up aid funding. Washington has poured $2.3bn in direct economic and military aid into El Salvador since the war began, funds which last year roughly equalled the export value of the three main cash crops—coffee, sugar and cotton.

Mr Edwin Corr, the US ambassador, has had the disaster brought forcibly home to him by the wrecking of the veritable fortress of his embassy. He said this week he was recommending additional aid. Mr George Shultz, US Secretary of State, yesterday arrived in San Salvador to try to get a picture of the country's reconstruction needs.

But can Washington, strapped by budget constraints and Congressional doubts about the direction of Reagan Administration policy in Central America, meet the scope of El Salvador's new requirements?

President Duarte has put the cost of the destruction provisionally at $2bn. By comparison, the US Embassy estimates total war damage to the end of 1985 at $1.5bn. This figure excludes capital flight, which some estimates put as high as $3bn, and foregone investment and industrial output.

Less tangibly, there seems little prospect that the quake will trigger the surge of national unity and purpose seen after Mexico City's similar disaster in September 1985.

The response of San Salvador's people has been muted in comparison. Many wear the glazed look of people inured to expect the worst.

The army, which chose to take little part in the rescue work, lost a golden opportunity to dispel its murderous image. Soldiers have appeared on the streets conspicuously overarmed—even though the guerrillas have declared a unilateral truce in response to the disaster.

In *barrios* like San Jacinto, people are complaining already that the Government has not done enough. "We have lost everything," says a mother of four in the remains of her one room, abode and wood home, perched dizzingly over a 20-ft drop. "We have our lives—but no food, no shelter or medicine to sustain us."

Both the Government and the Church—a powerful rallying force in this deeply religious country—are considering mass distribution of building materials for reconstruction.

But many who have lost their homes live on rented or squatted property, raising the question of ownership after reconstruction, or repossession of the land for more lucrative purposes.

Furthermore, there is little sign of a coherent development policy in El Salvador. The war has reduced somewhat the power of the landed oligarchy — an agrarian reform programme has been virtually imposed by the US to undermine the insurgency in the countryside — but the larger development issues have been strictly subordinated to the needs of the counter-insurgency.

Pervasive corruption in both the Government and the army, the political weakness of Mr Duarte, and the implacable hostility of the private sector to anything which smacks of radicalism (like land expropriation by government) make it unlikely that the challenge of last week's disaster will be met decisively.

The gulf between the now re-doubled misery of the San Jacinto *barrio*, and the dollar-fired glitter of the oligarchy's preserves in Upper San Salvador (virtually untouched by the earthquake) are likely to widen further.

The guerrillas were in San Jacinto and the nearby *barrio* of Mexicanos at the weekend to underline the socio-economic differences exposed by the quakes, in impromptu addresses to the homeless. In his regular Sunday homily, Monseigneur Arturo Rivera y Damas, the Archbishop of San Salvador and perhaps the most influential man in the country, drove home this point. "The poor and marginalised neighbourhoods are those who are suffering most; the disaster has revealed the precarious and sub-human conditions in which so many of our compatriots live."

The opportunity for the guerrillas to re-establish their influence in San Salvador—they were forced to retreat to the countryside after the assassinations of their leaders in the capital in the 1979-82 period by the paramilitary death squads of the far right—must appear to them God-given.

Bonn appétit and Vive la différence!

There is no better way to judge a new country than by its landladies, says **David Marsh**, who moved recently from Paris to Bonn

THE ROAD from Paris to Bonn, just before it sneaks into wholesome federal territory from the wasted steel lands of Lorraine, passes by that latest monument to Franco-German differences—the contested (from the German side of the border) French nuclear power plant at Cattenom.

That was only the first slice of symbolic delight for a journalist returning this month to take up a posting in Bonn after four years on the beat in Paris.

The journey between these two European capitals turns out to be studded with comfortingly caricatural reminders that France and Germany, despite post-war rapprochement and a common economic zoom ahead of Britain, remain what they have always been, at least since Charlemagne's doomed efforts at unification: worlds apart.

Everyone knows that the Germans are ecological and worried about radiation whereas the French let cows graze around nuclear waste dumps; that Bonn is pint-sized, provincial and, as a so-called capital, provisional, whereas Paris is big, bustling and, despite the odd bomb going off, irresistably permanent.

It is surprising, though, and even faintly disturbing, to find these clichéd images borne out and strengthened by early impressions of the move along the Paris-Bonn axis. Despite the shock caused by last Friday's first-ever political assassination in Bonn, the contrast remains.

Take our landladies for example. The attitudes of owners of property to the priority of those who rent it is surely a universally-applicable bench-mark of national character.

The Paris landlady, of charming appearance but, who knows, perhaps deficient in certain habits of personal hygiene, declared herself satisfied beyond reproach with the cleanliness of our 6th *arrondissement* flat when we vacated it.

Despite the film of chic Parisian grime covering the apartment and our recent narrow escape from being evicted by the cockroaches, it was, she said, in a better state than her own.

Such *legereté* would not go down well on the other side of the frontier. The equally charming proprietors—elderly, but into bio-energetics, whatever that is—of our new house in Bonn have thoughtfully equipped the (otherwise unfurnished) abode with towels and toilet brushes.

The place, although hardly in a crime-ridden precinct (our neighbours are a company running Rhine cruises, a retired general looking after war widows and an old people's home), is spankingly fitted with the latest thief-proof window locks. It also boasts eight sinks.

The owners hope we will look after it better than the last tenants whose crimes included chipping a pfennig-sized piece of enamel on the bath, failure to air the cellars and, above all, negligent treatment of the ceiling light wiring.

They have also, it must be said, given us a full-scale German welcome: flowers, greeting cards and the traditional moving-in gift of bread and salt.

German thoroughness and environmental earnestness come across in other ways, too. Number one item on the late night French radio news as we drove across the border was—with gay Gallic abandon of the darker sides of life—the progress of the French national team in the world volleyball championships.

The first German radio headlines, by contrast, focused on the rescheduling of Mexican debt and trade union calls for humanising new technologies. The German radio is generally on the gloomy side. Driving around this week in my battered Paris-registration Renault — which tends to be given a wide berth by gleaming Mercedes and BMWs—I have been tuning in incessantly to programmes on divorce, child-rearing problems and bereavement.

With all this sobriety—a down-to-earth feature of German stationery shops is a nice line, at DM 5 each, in forms for filling in your will and testament—it is no wonder the Germans are calamity-stricken about curies coming out of Cattenom, while the French could not give a Becquerel.

Ecology in Bonn is everywhere. The McDonald's joints give prominence to salads rather than hamburgers; coloured toilet paper is banned from supermarket shelves; and the number of bicyclists (in Paris, an extinct species) is a positive danger to car drivers hooked on lead-free petrol.

This attention to detail can however have its positive aspects. Accreditation formalities in Bonn for that cosseted breed, foreign journalists, are carried out remarkably smoothly compared with the wearisome bureaucracy in Paris.

And one of the eagle-eyed counter staff at a Bonn bank which I had last visited eight years ago knew my name the moment I walked in to reopen my account — showing that crossing over to the serious side of the border can also bring forth a sense of homecoming.

Men and Matters

Wood bows out

The Wood family management of Croda International, the home-grown British chemicals company which is now a world-wide manufacturer, will end shortly.

A. P. Wood joined the company in 1925 to help his uncle, the firm's co-founder, and ran the business for a quarter of a century. His son, Sir Frederick Wood, has been with Croda all his life.

Now, at 60, Wood has decided to retire from the chairmanship at the end of the year. He will keep links as an honorary life president, and a non-executive director.

He is leaving the business in the hands of his old friend Mike Cannon, aged 57, who becomes chairman, and Dr Keith Hopkins, aged 41, a chemist, who succeeds Cannon as group chief executive.

The appointments complete a phased reshaping of the group's top management which began in March last year when Wood handed the chief executive's job to Cannon, who runs the group's US operation from New York.

Hopkins has been chosen by Wood as in-house talent ready to fill the top management post. He has been with the group for 10 years. He began at the gelatin production director (the material which is still the essential base for all photographic film) and eventually headed the division. He is now managing director of the Croda World Traders group.

Hopkins will be running a company which has specialised in making money out of what Cannon calls "niche-type" capital investments—where the outlay is modest and the added value large. An example: Croda is the largest honey refiner in Britain.

"I'm famished—I kept nipping out to see how the pound was doing abroad"

Painted ships

Ranulf Rayner is a determined man. He wanted a marine artist and he knew there was a good one called Thompson in Cornwall. "It did take some time to ring every Thompson in the West Country 'phone book. But I got him in the end," he says with some pride.

His proposal was that Tim Thompson should paint a scene from every one of the 26 America's Cup challenges.

The stunning result is now hanging in the newly-opened Crusade yacht club in Fremantle, Western Australia.

The club is the personal venture of Graham Walker, chairman of the British syndicate challenging for the cup. The collection will hang there until the end of the cup series next February—long-term it is for sale.

Rayner says, "I want a decent price and they have to be sold as one collection. Ideally they would stay with the next winner of the America's Cup—I don't want them going off to some backwater with an oil millionaire." When in London, Rayner is a partner in Mayfair Marine—a somewhat improbable mixture of boat charter agency and art gallery in London's West End.

But there will be a bonus for the eventual purchaser. Thompson will be flown to Australia to paint the last race of the contest. That work will go with the others, gratis.

Rayner's own favourite painting in the collection is of the schooner America sneaking inside the Nab Tower during the very first race round the Isle of Wight in 1851—the first, but not the last, example of sharp practice in the America's Cup competitions.

Paper chase

Canada seems set to match Britain's new posh paper, the Independent, with a new daily newspaper of its own. The decision whether or not to go ahead will be made in the next few months.

Montreal is the target city. English-speaking readers there—about 750,000 out of a population of 3m—have been impoverished with the slim offerings of just one daily, the Gazette, since the collapse after a prolonged labour dispute of the Star in the late 1970s.

Two journalistic groupings (perhaps "packs" is the most suitable collective term) are gathering to promote the launching.

One is led by Douglas Creighton, president of the Toronto Sun Publishing Group.

The Sun, which was eventually taken over by the Maclean-Hunter publishing empire in Toronto, spread its wings to start other tabloids in Edmonton and Calgary, also bearing the Sun name. With a circulation of over 300,000 it is still known as "the little newspaper that grew."

The other pack of scribes is led by Raymond Heard, now a Toronto television executive, but once managing editor of the old Montreal Star. He is advising a group of Montreal journalists and businessmen which seeks to breathe new journalistic life into Canada's second biggest city and financial centre.

Creighton, who has been in London for the formal opening of a Toronto Sun Bureau, says that a deal with Montreal interests looks close.

Peace-keeper

A reassuringly burly, bouncer-like figure hovered in a corner of the room in Bonn yesterday where British Labour leader, Neil Kinnock, and Johannes Rau, the SPD candidate for the chancellorship, gave a joint press conference after a Socialist International meeting.

The man, bearing a glinting metallic-like object, was obviously a security guard wielding the latest thing in teutonic anti-terrorist devices, reporters assumed.

It turned out to be nothing so high-tech. The man was one of Kinnock's aides, and the shiny box he had been shyly clutching was later presented to Rau, and opened to reveal a gift of a white Wedgwood pottery dove of peace.

Service suspended

The Northern Ireland Electricity Service has chosen an unfortunate moment to drop the word "Service" from its title.

It announced the change last Monday as part of "updating our advertising and marketing strategy."

Since then the workers have interpreted the change more literally by shutting down Ulster's biggest power station and causing widespread blackouts.

Observer

POLITICS TODAY

On track, but not on time

By Malcolm Rutherford

WERE we all carried away by the Tory air of confidence in Bournemouth last week, especially as it came at the end of a conference season that had so many ups and downs that judgment may well have been distorted?

Rather to my surprise, I have come to the conclusion that the answer to that question is "no." The Tories had a very good conference and will be exceedingly difficult to beat in the general election.

Conference speeches are rarely worth re-reading. Most of the speeches made at Bournemouth actually read rather better than they sounded.

Chancellor Nigel Lawson, echoing the Conservative Party historian, Lord Blake, said: "Never underestimate the tide of ideas. No British Government has ever been defeated unless and until the tide of ideas has turned against it."

In fact, the theory is not infallible. It does not explain why, for example, Mr Edward Heath was defeated in 1974, nor even why the then Mr Harold Wilson lost in 1970. Governments can simply get the timing wrong.

But as a general theory of politics it serves very well. It explains why Labour won in

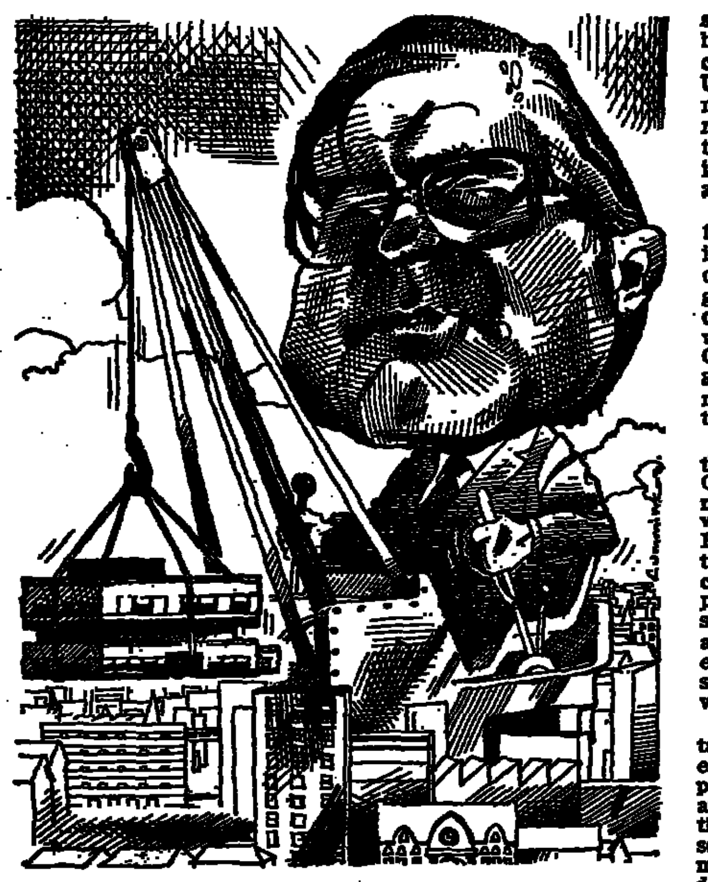
The Tories had a very good conference

1945, became crippled in 1980 and lost in 1983. It also explains why the Tories were finally voted out after 13 years in power in 1964 and why Mr James Callaghan was defeated in 1979. The Tories came back with a whole range of new tunes. The lesson from Bournemouth was that the tunes may have been revised a bit and added to, but that they may still be popular. No one else has come up with anything better.

In part, this is by default. So long as there are two oppositions—Labour and the Alliance — which fight each other at least as much as they fight the Tories, the Government is bound to benefit. Defence also played into the Government's hands. The Alliance split over nuclear weapons and the Labour Party came down in favour of unilateral nuclear disarmament and a potential quarrel with the Americans to boot. Even Tories who dislike the Government's present economic policies rally round the party flag when it comes to the defence of the realm. Not one of the Tory dissidents or former cabinet ministers has ever attacked Trident.

All that clearly boosted Conservative confidence. The split in the Alliance had been hoped for, but not expected. Yet there was a positive side as well. The Tories have begun to put forward a set of plausible and coherent policies designed to win a third term.

The theme may be paraphrased something like this. "Of course, it has all taken much longer than we thought. When we came in in 1979, we really believed that we could turn the country round pretty quickly and without such a cost in terms unemployment. Nevertheless, we've learned a thing or two since then and some achievements are behind us: the reduction of inflation, the curbing of the unions, the defeat of the miners' strike and the spread of share ownership. We're now in a position to survey the scene, recognise the gaps, and put everything together again in a non-socialist way. The worst is over. One more term and we'll finish the job."



Kenneth Baker: promised at least 20 City Technology Colleges

The Bournemouth speeches were an illustration of that approach. One by one, Ministers went through what has been done so far and promised to do more of the same in future. Thus Mr Norman Fowler, the Secretary of State for Health and Security, looked at the record of the health service in quite specific detail, producing a list of a £8bn hospital building programme covering over 380 large hospital schemes at various stages of development. In 1978 there were only 28,000 hip operations. The current number is 38,000. Mr Fowler promised to raise it to approaching 50,000 by 1990 and went into similar details about other operations.

It was the same with transport. Mr John Moore, the Transport Secretary, said that in 1981 there were only about 8m private cars on Britain's roads. Today there are over 17m. Investment in British Rail has become a matter for boasting. The scheme to electrify the whole east coast line, he claimed, is the greatest single railway investment for the last 25 years. There are the Channel Tunnel, the Dartford Bridge and masses of bypasses to come.

Mr Douglas Hurd, the Home Secretary, spoke of the rise in police manpower and the prison building and refurbishment programme. Mr Nicholas Ridley, the Environment Secretary, promised new Urban Development Corporations in Greater Manchester, Teesside, the Black Country and Tyne and Wear. The speech by Lord Young, the Employment Secretary, was a catalogue of measures taken to reduce the number out of work and to promote training.

What nearly all the speeches had in common was a comparison between conditions now and a few years ago. Thus Mr John Patten, the Housing Minister, said that there are now 12m home-owners, some 2m up on 1979. Chancellor Lawson stated that one-fifth of the state sector of industry that the Government inherited had already been privatised. The proportion will rise to two-fifths by the end of this Parliament, and the aim is to privatise most of the rest in a third term. The number of people with direct shareholdings in individual companies has doubled to 6m since the Tories took office.

There was another common thread apart from the show of statistics, reminiscent of a Socialist peoples' republic. The Tories do think that they have identified their weaknesses. They lie in unemployment, in the perception of declining standards in the health service, poor schools, deprived inner cities and lawlessness. Most of the measures announced fitted this pattern. Mr Moore, for instance, used his transport speech to say that £18m was being made available to help combat crime on the London Underground. The unemployment figures are now much more carefully broken down so that specific problems can be identified and better dealt with at a local level.

The message, in short, is that the Government is saying that it has acknowledged the scale of the task and is determined to go ahead and tackle it in its own free enterprise way. There will be a safety net, but in the Chancellor's words it will be a net "to catch those who fall, not a spider's web to trap those who can fly."

Apart from unemployment, the two areas where the Government seemed most vulnerable during the summer were health and education. Health may still take some retrieving, though Mr Fowler has certainly begun his fight to prove that the condition of the service is not nearly as deficient as is sometimes believed. On education, however, it is possible that the Government has won the initiative.

Mr Kenneth Baker, the Secretary of State, was gracious enough to pay tribute to his predecessor, Sir Keith Joseph, and it is perfectly plain that the flurry of activity on the schools front in the last few months cannot be all Mr Baker's doing. It owes a great deal to the work put in by Sir Keith and his 1985 White Paper, *Better Schools*. But it is hard to deny that something visible has begun to happen.

True, the teachers' dispute has still to be finally settled, yet on the assumption that it is, a corner has been turned. The new GCSE examination is in place, head teachers and their staff may be regaining their former status and Mr Baker has promised that the 20 or so new direct grant City Technology Colleges for 11 to 18 year olds should open in 1988.

The CTCs seem to me the most imaginative step of the lot and Mr Giles Radice, the shadow education spokesman, was foolish to attack them for potentially depriving existing schools. It is a long time since a wholly new approach to education has been taken across the country. Moreover, the colleges will have several purposes. They should help the inner cities. They will advance technical training without sacrificing the humanities and they will involve the participation of industry.

Mr John Biffen, the Leader of the House of Commons, is talking about the Government groping towards a new Education Act like the Butler Act of 1944. The introduction of the GCSE and the founding of the CTCs are at least a start.

Thus, as MPs prepare to return to Parliament next week, the Government looks in much better shape than seemed possible when they dispersed for the summer. There are problems, of course, as the perennial weakness of the pound and the rise in interest rates remind us. The need to do something about Austin Rover is now recognised as urgent. And politics is about the unpredictable. No one foresaw the Westland affair. No one can tell what other banana skins may lie around the corner. Yet there is a Government that has tried to map out a coherent vision of the future.

There may well be advantages as well as pitfalls to come. The country is sufficiently rich in energy resources to be able to absorb the exhaustion of North Sea oil if it plans carefully. And it is not self-evident that the demand for public spending on roads, hospitals and schools will rise exponentially. Sooner or

Advantages as well as pitfalls may lie ahead

later it must level off and Mr Lawson's aim of further cuts in tax and a low borrowing requirement will be within reach.

The Chancellor goes too far when he speaks of "a Britain with her head held high and not a Britain with her hand held out." He overlooks the long relative decline in comparison with other countries and the peculiarly British anomalies like the world's 19th economic power being the third or fourth nuclear state. (Tory defence policy was not discussed because everybody was talking about Labour and the Alliance.) We are not going to be a West Germany. But in a modest way, bit by bit, there is something in the claim that the Government is getting where it wants to be. It is not on time, but it is on track.

Lombard

Flaws in the new City rule book

By Clive Wolman

FORGET ABOUT the City. Forget about SROs, RIEs, RPBs, Chinese walls, market stabilisations, customer agreement letters and all the other arcane subjects covered by the Financial Services Bill, now entering the final stages of its parliamentary passage.

There is only one subject in the bill of which the vast majority of the population has direct experience: the financial advice they receive from bank and building society managers, mortgage and insurance brokers, door-to-door and telephone insurance salesmen, and other self-styled investment consultants.

Yet the practices of these supposedly impartial advisers is the one area of abuse which has not been tackled adequately by either the bill or the rulers of the Securities and Investments Board (SIB), the embryonic City regulatory body.

For taking perhaps 30 minutes to recommend an endowment mortgage, a pension mortgage, a protection plan, a "school fees" savings plan, these intermediaries will pocket approximately 120 per cent of your first-year payments in commissions. If your premiums come to, say, £1,000 a year, they will be given about £1,000 to £1,200 by the insurance company behind the deal. It in turn will recoup the commissions through its charges to you. For every £1,000 you pay into such a plan, more than £200 will typically disappear in charges.

Unless Parliament now intervenes, the customer is not going to become any wiser about where his money is going or how his adviser is being influenced.

The SIB's draft rules on insurance marketing provide two exceptions to the principle of full disclosure of charges and costs that is emphasised throughout the rest of the SIB rules, with no justification other than custom and practice.

Over the last 25 years, insurance companies have won the lion's share of the UK's long-term savings market by selling what are essentially savings contracts covered with a fig-leaf of life assurance of negligible actuarial value. The fig-leaf has permitted the insurers to win fiscal and marketing privileges denied to its competitors. It has used these privileges to sell products which have little to do with insurance, such as repaying a mortgage.

The first privilege granted to life assurance (but no other investment) salesmen is the right to make unsolicited calls to potential customers on the doorstep or over the telephone. As few such "cold" calls are successful, the salesmen have to be motivated by high commissions, a factor which has forced most industries to turn to other, less extravagant methods of marketing. But insurance companies have always been able to disguise from the customer the true costs of door-to-door selling which they pass on to him, by employing an array of misleading jargon.

One important safeguard for customers should have been the common law requirement that financial advisers disclose their commissions to customers, as do stockbrokers and all other agents. The new rules drawn up by the SIB will remove that common law safeguard. The investor will normally only discover what commission his adviser received if he writes to the insurance company after signing his contract.

The other way of tackling the issue is to force insurance companies to tell customers what proportion of their money will go in charges. For unit-linked policies, they should be required to convert all their obscure charges into a simple percentage figure, applying the same discounted cash flow principles that credit card companies have to use when quoting their true rate of interest.

When it comes to with-profits policies (commonly used for repaying mortgages), insurance companies claim that their current expense ratios cannot provide a meaningful guide to the future costs of a particular policy. To this, the response should be: go ahead and allocate your current expenses between different policies by applying standard management accounting techniques. The obligation on you to quote your current expense ratios will give you a continuing incentive to hold down your costs, for fear of putting off future customers.

Letters to the Editor

Appealing to the masses

From Mr J. Browne, MP

Sir,—Balanced against the need for massive mutual disarmament, the Russian offer in Reykjavik was, while seductive, worth very little. I was saddened to read (October 15) that Lord Gladwyn accepted it at face value.

During his visit to London in December 1984, it was obvious that Mr Gorbachev possesses enormous charisma and the ability to talk over the heads of western leaders direct to people at grass roots and to appeal to special interest groups.

Under Mr Gorbachev (who was probably effectively the managing director of the Soviet Union even under the chairmanship of the ailing Chernenko), the method and style of Soviet relationships with the west have changed. But the goals have not.

Mr Gorbachev has the ability to portray himself as the "nice guy." Lord Gladwyn appears to believe this and to accept Mr Gorbachev's offers at Reykjavik as "extremely far-reaching and apparently acceptable." I believe the opposite is true.

Lord Gladwyn calls for Americans to stop their strategic defence initiative (SDI) programme but makes no mention of the fact that the Soviets already have their own rudimentary SDI. Indeed, it is probably their own experience that tells them that either the US will overtake them in space or that SDI will dangerously destabilise the nuclear "stand off" of the past 40 years, or both.

Having been able to observe Mr Gorbachev and his delegation closely for many hours and under varying conditions during their London visit, it appeared quite obvious that even the threat of SDI had brought the Soviets to the negotiating table for the first time in decades to talk seriously about disarmament. In short, SDI is a trump card in the hand of the west. Played correctly, it could lead to a massive nuclear disarmament and a period of unprecedented strategic peace and prosperity.

Mr Gorbachev's intelligence, toughness and self confidence make him a formidable foe. By offering disarmament talks that no serious democratic western leader could refuse, he forced President Reagan to Iceland at short *notice* and possibly off balance. By whipping up expectations he brought serious additional pressure to bear.

In Reykjavik, Mr Gorbachev faced President Reagan with a no-win option. The President had either to give up the trump SDI card cheaply or seem to ignore what appeared to be an unprecedented and *far-reaching* offer of nuclear disarmament.

Under Mr Gorbachev, the Soviets won a propaganda battle at Reykjavik. By negotiating from strength, however, and drawing upon his integrity, President Reagan won the "stand-off." He resisted the Soviet's cunning offer without yielding anything on SDI. At the *same time, he forced* concessional *offers* from the Soviets on missile reductions that offer considerable potential to future disarmament talks.

Although both leaders appeared to leave empty handed, it is likely that the Russians will return to tempt the SDI card away from President Reagan. Next time, they are likely to offer even more in terms of concessions.

John Browne,
House of Commons, SW1.

Saving works of art

From Sir D. Mahon

Sir, — Antony Thorncroft justifiably stresses (October 11) the vital contribution of the National Art-Collections Fund in helping to finance acquisitions by our public museums, great and small. He is right, too, to draw attention to the constructive role played in recent years by Sir Peter Wakefield, its director, in trying to make the NACF better known and to enlarge its constituency of supporters.

Mr Thorncroft however, drops a hint that, in the legitimate search for a bright new image, consideration might be given to dropping the word "collections" from the fund's title. But, since this clearly differentiates it from other analogous bodies by specifying its commitment to the support of public collections in particular, *I should be grateful for* the opportunity of entering an emphatic plea against this, pointing out in addition that the fund has repeatedly been *referred to in the statute* book under its present title. Instead, I would suggest that the desirable process of "revitalisation" might be better served if thought were to be given *to the* strengthening and widening of the membership of the executive committee.

Mr Thorncroft also refers to some signs of progress towards fiscal reform (having the effect of mitigating the incessant heavy calls on the NACF) which have been achieved by the art *lobby* in recent years. One of these was the abandonment of a rigid ceiling fixed in advance on the total amount of tax liability in a year which *could be discharged by the* cession to the state of works of art and museum objects. Contrary to what could be supposed from Mr Thorncroft's phrasing, these transactions are not purchases for cash. And the figure of £12m cited by him was (as Lord Gowrie, the then Arts Minister, made clear when announcing it in July 1985) neither a target nor a limit.

This was generally interpreted to mean that up to that sort of figure the effective discretion to accept rested with the Minister for the Arts rather than with the Treasury, which would however become involved in any decisions which would cause it to be exceeded. Unfortunately, however, this reasonable deduction has never been confirmed by Ministers. Yet frank and open endorsement of it would encourage resort to a statutory facility which provides a most valuable line of defence in the retention of our national inheritance.

(Sir) Denis Mahon.
33 Cadogan Square, SW1.

Interest in small companies

From Mr N. Blackley and Mr R. Hardman

Sir,—We were surprised at the opinions expressed upon *the basis of James Capel's* smaller companies monthly in the Lex column of October 14.

The objective of our feature article was to get a relative measurement of the underlying earnings performance of small companies against the main *market*, using *the USM as* a surrogate. If the USM starts its life with a price/earnings premium of 8-10 points over the FT All Share Index, then *it is conceptually* correct to adjust for a reduction in the differential to 2-3 points to get at the underlying earnings growth over the period of the USM. We *then adjusted* for two sectors whose weightings and stock performance were so out of line that there was an additional distortive effect. It was interesting to see that this distortive effect created only a 15 per cent underperformance over the period of the USM, compared to 50 to 60 per cent for the reduction in PE differential between USM stocks and the main board. We therefore decided that it was unnecessary to adjust for any other sector weightings that were out of line with the FT All Share Index. There was therefore no double counting involved in our adjusted USM Index.

We are advocating a smaller companies *portfolio, not* a USM portfolio; and weightings based upon the FT All Share Index *obviously not rigidly* adhering to it (for the reasons mentioned), for example, smaller downstream oil stocks are not available.

From our experience, net institutional and private client interest in smaller companies *has* increased recently, despite some institutional rationalisation of smaller company holdings. There is a growing realisation that concerns over liquidity after Big Bang will be little different from those before Big Bang, although the market makers may be different.

Neil Blackley, Roger Hardman,
James Capel & Co,
6, Bevis Marks, EC2.

Numbers at Customs

From Mr M. King and M. A. Duxbury

Sir,—In your coverage of the Conservative Party conference debate on drugs, you report (October 11) *that David Mellor*, Secretary of State at the Home Office, accused the trade unions of promoting "misleading propaganda" about the strength of the Customs service and insisted that there had been no reduction in the number *of Customs officers engaged in* drugs work.

It is Mr Mellor who is misleading in this matter and on behalf of the two unions, which have been campaigning for additional Customs staff for the past three years, we would like *to put the record straight.*

It is a matter of fact that all uniformed (preventive) staff play a key role in attempting to deter and detect drug smugglers. The figures which we have published on Customs staffing are from Peter Brooke, Minister of State at the Treasury, in a written answer to a parliamentary question. It is a little disconcerting to find one minister calling a colleague's figures misleading!

Those figures show clearly that preventive staffing was cut from 3,445 in 1979 to 2,721 in 1984 and that in the period 1985 to 1987 increases are projected to bring staffing levels up to 3,300. So, even when the projected increases have been implemented, the first line customs staffing will still be below the 1979 levels. Add to this the increases in workloads since 1979—passenger arrivals up 38 per cent, commercial vehicle arrivals up 64 per cent and private vehicle arrivals up 82 per cent—and you can see why we have been campaigning for extra staff.

If Mr Mellor hopes that our members will take him seriously on the issue of preventing drug smuggling, he ought at least to get his facts right.

Mike King
(Society of Civil and Public Servants).
Alan Duxbury
(Civil and Public Services Association).
C/o 124-130 Southwark Street, SE1.

FINANCIAL TIMES

Friday October 17 1986

CGCT thriller likely to run and run

BY PAUL BETTS IN PARIS

THE INTERNATIONAL battle for control of Compagnie Générale de Constructions Telephoniques (CGCT) is likely to run for several more months, Mr Claude Vincent, the world-weary chairman of the troubled French telecommunications group courted by Siemens, AT&T and Ericsson, warned yesterday.

Mr Vincent has for the past two years been one of the central characters of what has turned into a classic industrial thriller which, according to one French observer yesterday, has combined every ingredient of a best-selling paperback including international diplomacy and political intrigue but with the notable exception of sex.

The issue has become so sensitive in France that the conservative Government has sought to put the lid on the virtually daily speculation in the French press on its ultimate choice to take over CGCT, the former ITT subsidiary nationalised in 1982.

Indeed, Mr Vincent came under heavy pressure from his state shareholders, notably the Industry Ministry and the Finance and Economy Ministry, not to take part in a debate yesterday with French electronics industry journalists and electronics industry officials on the future of competition in the telecommunications industry.

"My friends advised me to become ill on Wednesday night and avoid coming," he said. But, at the last minute, it seems that the government authorities decided to allow Mr Vincent to speak after all. It would have seemed somewhat strange for a government committed to free market policies and the freedom of entrepreneurs to prevent Mr Vincent taking part in the debate, several French journalists remarked.

Mr Vincent's presence clearly excited considerable curiosity, not just from the French media but also from the industrial concerns and governments involved in the current battle over CGCT. There were representatives from AT&T, Siemens and Ericsson, as well as two from the US embassy which has been pushing AT&T's case at a time when Siemens appears to be taking a lead in the CGCT stakes.

An official of the Direction Générale des Telecommunications (DGT), the French state telecommunications authority, sighed with relief coming down in the lift at the end of the meeting, saying: "It didn't go too badly."

Mr Vincent, who has the habit of speaking his mind, was, in the circumstances, a model of diplomacy about the eventual choice of a partner for CGCT and his relations with the French authorities.

"If you ask me who I would prefer CGCT to marry, I will say he must be handsome, big, rich and generous," he said. But he also added that, although negotiations over the future of CGCT have been going on for 18 months, it was most improbable that the issue would be resolved quickly.

CGCT will first have to go through the process of privatisation, since its eventual new international partner will presumably acquire majority control of the French company.

> Suitor must be 'handsome, big, rich and generous'
> – Claude Vincent

But the privatisation process for CGCT will be different to those for the other French state groups, such as Saint-Gobain, being offered for sale to private investors. "The CGCT privatisation will take place outside the market," Mr Vincent said. "The Government will save some advertising and promotional expenses," he added wryly.

The Government is now preparing a decree to cover special privatisation cases such as CGCT. Mr Vincent said that an auditing company and a banking group would be chosen to value the company. The final valuation will then be made by the Government's special privatisation commission. All this will take time, and Mr Vincent suggested that the Government intended to follow the legal process of privatisation with great rigour. "This would exclude any quick decisions," he said.

By the time the process is completed and the final choice of an international industrial partner is made for CGCT, Mr Vincent expects his company to be in an attractive state for its future partner.

Although the main attraction of CGCT for the rival international telecommunications groups is that it will give one of them access to an initial 16 per cent share of the French public telephone exchange market (or the equivalent of 300,000 telephone lines a year), CGCT officials argue that their company is not "just an abstraction or a market share." The company will not only offer entry into the French public switch market but also supply the new partner with an industrial vehicle in France, argued one of Mr Vincent's lieutenants.

During the past 2½ years, CGCT has been undergoing major restructuring. "We were losing FFr 50m ($7.7m) a month in 1984 and about FFr 20m a month last year. Our operations are now breaking even this year," Mr Vincent claimed yesterday.

Since nationalisation in 1982, when the French Government paid ITT about $50m for its troubled French subsidiary, CGCT has lost some FFr 2.3bn. The restructuring has involved shedding control of CGCT's private telephone business to the French Matra group and substantial job cuts.

From 8,500 people employed in 1984, CGCT's workforce has been reduced to 2,800. The company has also sold its Paris headquarters and is moving into a new building near the railway station serving the new northern high-speed train link. "It will be most convenient to reach Amsterdam, Düsseldorf, London and even Sweden," said Mr Vincent.

The stakes of the deal are particularly high for France, the group which will succeed in taking over CGCT, and for CGCT itself.

For France, the choice as well as having major industrial implications will provide the DGT with a second supplier of public switches to the French Alcatel group owned by Compagnie Générale d'Electricité (CGE), the nationalised group which is forging a separate landmark European telecommunications alliance with ITT.

For the winner, it will give it access to one of the major western public telephone markets. For CGCT, it will be the vehicle for its ultimate survival both on the French and on export markets.

By putting CGCT first through the privatisation process, the Government has bought itself a little more time to take a final and difficult decision which, inevitably, also hinges on the outcome of the other major telecommunications venture between CGE and ITT. And if that were not enough, the Government is now also having to steer another big and complex international electronics industry transaction between the nationalised Bull computer group, NEC of Japan and Honeywell.

Buchanan wins Nobel prize for economics

By Kevin Done, Nordic Correspondent, in Stockholm

THE 1986 NOBEL economics prize was awarded yesterday to Professor James McGill Buchanan of George Mason University, Virginia, for his contributions to the theory of political and economic decision-making.

The Nobel literature prize was awarded for the first time to an African writer, Wole Soyinka, from Nigeria, who was described by the Swedish Academy as one of the finest poetical playwrights to have written in English.

Prof Buchanan's work treads a fine line between economics and political science and has been much concerned with establishing firm "rules of the game" for political decision-making.

He is in favour of balanced budgets as one important way of imposing constraints on political leaders, a stance which has brought him into opposition with current US economic policy-making and the towering federal budget deficit.

As a leading fiscal conservative he has opposed what is seen as the irresponsible profligacy of Keynesian economics, which has encouraged the build-up of massive public sector deficits.

Prof Buchanan has applied the tools of economic analysis to politics, suggesting in the process that political leaders and political parties, like other groups and individuals, are operating in the market, that they are seeking to enhance their own position rather than improve the general good.

Professor Buchanan, who is 67, is one of the leading researchers in the field known as "public choice theory." His most important works include Calculus of Consent, The Limits of Liberty, The Power to Tax and The Reason of Rules.

The literature prize has broken new ground with the award to Mr Soyinka. His most important works include the plays A Dance of the Forests, and Death and the King's Horseman. He has also published several collections of poetry including Idanre and Other Poems, and A Shuttle in the Crypt. In all he has published about 20 works.

UK's black economy 'smaller than Inland Revenue claims'

BY CLIVE WOLMAN IN LONDON

THE UK'S black economy of moonlighters, tax evaders and fraudulent social security claimants, is much smaller than estimated by some economists and the Department of Inland Revenue, according to a book published yesterday by the Institute for Fiscal Studies (IFS).

Mr Stephen Smith, a senior research officer at the IFS, an independent think-tank, concludes that the black economy accounts for only 3 per cent to 5 per cent of Gross Domestic Product (GDP) or between £9bn ($12.6bn) and £15bn.

By contrast, the Inland Revenue estimated in 1979 and 1982 from the results of its own investigations and audits of taxpayers that the black economy accounted for 6 per cent to 8 per cent of GDP.

Another study, published last year by the Liverpool Research Group in Macroeconomics, put the figure at 15 per cent of GDP. Its conclusion suggested a link between the value of unemployment benefits and the value of cash holdings which, it assumed, are normally used in transactions that are concealed from the authorities.

The IFS study assumes that tax evasion is greatest in areas in which small businesses or self-employed individuals are selling labour intensive services which have relatively few inputs on which Value Added Tax can be reclaimed. Typical areas are household improvements, decorations and repairs, tips in restaurants and elsewhere, taxi fares, domestic help, private tuition and vehicle repairs.

Through an analysis of the discrepancies between the incomes that households declare and their expenditure, the study concludes that the self-employed conceal an average 10 per cent to 20 per cent of their incomes from the tax authorities.

The study's conclusions are based primarily on its analysis of evidence suggesting that some families live beyond their declared means. The analysis is applied to the discrepancies between the results of family expenditure surveys, in which households give details of their weekly expenditures, and declared incomes.

The traditional objection to this approach is that families who have evaded tax under-declare their expenditure while other families may conceal large cash payments made to, say, a decorator or other person who they suspect is evading tax.

The study assesses the scale of these under-declarations by comparing the discrepancies in different parts of the economy. It assumes that if under-declarations are common, discrepancies will show up more in cases where the self-employed are involved and in sectors such as construction which are considered to be particularly prone to tax evasion.

S. Smith, Britain's Shadow Economy, Clarendon, £19.50.

Storm brews over UK visa demands

Continued from Page 1

The ministers appear to have heightened the tension by choosing the present moment to indicate that they also intend to restrict the right of MPs to intervene to secure temporary admission for passengers refused entry.

Last night Mr Hurd mounted a staunch defence of the decision to implement visa controls.

He said it was not a political or discriminatory decision. "It was an operational decision based upon the clear and unmistakeable need to protect the integrity of our immigration control from those who were seeking, in increasing numbers, to evade it."

Mr Hurd said that in the 12 months to the end of last June 22,000 people had been refused admission or were removed from Britain. Over half of these came from the five countries to be covered by the new measures. The figure compared with 13,000 in 1981.

He emphasised that the Government wanted to provide a good and flexible service to legitimate visitors to Britain.

"Where a doubt arises about whether a person should be admitted to the UK, it is clearly better that this should be sorted out before they pay out large air fares and perhaps fall prey to exploitation by greedy travel agents, rather than in an emotionally highly charged atmosphere at Heathrow airport," Mr Hurd said.

Until now tourists have been free to arrive in Britain without visas from the majority of countries. It has always been necessary for immigrants wanting to settle in Britain to obtain entry certificates or Home Office letters of consent before arriving. But visitors and tourists have been free to present themselves at ports or airports without prior visa authorisation unless they are from Communist East Europe Cuba, Iran (since the flood of refugees from the revolution), Argentina (since the 1982 Falklands war) and Sri Lanka (since the number of Tamil refugees increased rapidly earlier this year).

As it became clear that the number of arrivals from the Indian subcontinent was rising in an attempt to beat this week's deadline, the Government announced on October 6 that visas would be introduced for India, Pakistan and Bangladesh from midnight from October 15. Since then very large numbers of visitors have arrived, overwhelming the immigration authorities.

Extra immigration staff at the airport failed to cope, and at one point 4,000 people were waiting to be interviewed. Some 3,000 relatives and sponsors were waiting in the arrival area for people, some of whom had arrived four days earlier.

A detention centre capable of holding, 65 people has been full for days. About 600 people requiring further investigation have been put into hotels all over South-East England, each night, and yesterday Heathrow's medical officer insisted that all the rooms and halls around the intercontinental Terminal Three be vacated within 24 hours on health and sanitation grounds.

However, by last night the major crisis was over, in London at least, although several hundred people still need checking. Since Wednesday, virtually all new arrivals from the Indian sub-continent have had the correct visas and have passed through immigration quickly.

Some of the week's early arrivals, have already given up the wait and flown back home. About 200 people refused entry have also gone home at the expense of the airlines which brought them where necessary.

Phillips in talks with Christie's

By Nikki Tait in London

PHILLIPS, the UK auctioneering house, has been in talks with its larger rival, Christie's International, but the outcome is more likely to lead to Phillips taking a stake in Christie's than a full bid.

Mr Jo Floyd, chairman of Christie's, said yesterday that he met Mr Christopher Weston, the Phillips chairman, on Wednesday night at Mr Weston's request.

Mr Weston told me that he was considering buying a stake in Christie's at the right price," Mr Floyd said. However, he added that Mr Weston had made clear that he had no intention of making a bid for Christie's.

Yesterday Christie's shares dropped 20p to 280p, capitalising the auctioneer at £77.5m.

The appeal of Christie's to Phillips is its international spread of auction rooms, which include New York, Amsterdam and Geneva. The group has three auction centres in the UK, two in London and one in Glasgow. About six years ago, Christie's followed a deliberate policy of moving into the New York market rather than concentrating on UK regional interests.

By contrast, the bulk of Phillips' business is done through provincial salerooms in the UK – 18 in total, three in London – and the company has never established a significant hold in the US.

The two companies are also markedly different in size. Phillips' sales in 1985-86 were around £60m. Christie's revenue from its South Kensington auction-room was £30m alone last year, and £365m for the group overall.

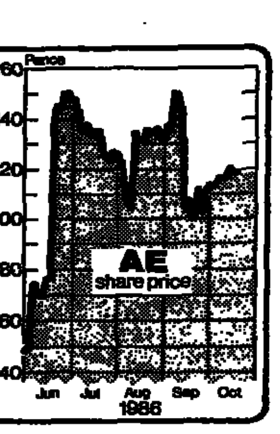
Christie's, however, regards itself as well-fortified against unwanted predators. Around one-third of its shares are held by directors and employees in a voting trust, and around 10 per cent by the Al Futtooh Investment Trust, which represents a wealthy Arab collector, Sheikh Nassar Al Sabah Al-Ahmed, who has previously been friendly to the board.

Another 4 per cent is held by Vivian Duffield, daughter of Mr Charles Clore and also thought to be friendly.

THE LEX COLUMN

No change from the Chancellor

The markets were feeling rather queasy ahead of the Mansion House dinner and the turtle soup served up last night may have done little to settle them today. The Governor's assertion that the authorities will not be rushed into unnecessary action by turbulence in the markets will not persuade traders to stop causing it. And as for the Chancellor's remark that there are clearly limits to the necessary and desirable extent of sterling's fall: is that a hint that any further slippage would be resisted?



AE/T&N

Judging by the length of the Takeover Panel's meeting yesterday to discuss the Turner & Newall/AE affair, the market shenanigans which caused the offer to lapse in mid-September must have been every bit as complicated as popular rumour would have it.

And, as the weeks have passed without any elucidation of the mystery, AE shares have started to move ahead in evident anticipation of a new bid from T&N. A false market has arguably been created by the delay in settling the dispute.

The case boils down to finding a link between AE and the mystery saviour, which nobly bought AE shares, refused the offer, and sold again at a loss. AE may well have stuck strictly to the letter of the Takeover Code in not calling that buyer an associate, but if there was the ghost of a collusive relation between the two it seems only fair to let T&N have another crack at getting control.

More important than this single issue, the apparent ease with which hair-splitting corporate financiers can pick loopholes in the code is repeatedly undermining the authority of regulation by the panel.

It would be a good thing if the AE affair gave the panel a convincing opportunity to reassert the importance of general principles over individual sub-clauses of the code. And if the panel fails to get to the bottom of the AE issue, it may not have too many more chances.

Bought deals

Warnings about the dumping of financial services have been most commonly made with the Japanese in mind. But Salomon Brothers' deal with Granada shows that the threat is occidental as well as oriental.

To make a 7.30am tender offer of 282p for the shares issued to pay for Laskys, when the previous closing price was 284p is, to put it mildly, a very nice calculation of risk and reward. Salomon, shifting the stock before breakfast, may have made a dealing profit of £200,000, but that is the most they could have made.

There is a crucial difference between this and earlier so-called bought deals, such as the same firm's tender for part of the BP stake sold by Guinness two months ago, or Goldman Sachs' swoop on the Philip Hill Investment Trust port folio.

In this case the principal was offloading its own shares on to the buyer, and was obviously prepared to dismiss the argument that a more conventional vendor placing by an established City name would guarantee a sensitive and well judged distribution.

The saving of over £1.5m in discount plus underwriting was clearly enough for Granada. As for Salomon, any loss on the transaction could be written off as an inexpensive corporate advertisement. In no way was this purely a trading operation.

As far as the industrial logic of the deal is concerned both parties can be happy. Ladbroke will get more out of the £30m by putting it under the mattress than it did by retaining its investment in Laskys.

But Granada can probably avoid earnings dilution by crunching management overheads, bringing the credit operation in house and imposing its own buying power across the business. Granada has yet to do its big deal, but this equity issue is too small to foul the market for future paper chases.

Bell/Morgan Crucible

Bell Resources' partial tender offer for Morgan Crucible can be counted either a partial success or a partial failure. Getting 5.8m of the 14.8m shares asked for at the maximum price of 320p takes Bell's stake to 19.9 per cent, well below the desired 29.9 per cent but enough for Bell's trawl to be worth while. If Mr Holmes à Court is keen to equity account the stake – which seems a logical step – he needs to pick up another 0.1 per cent.

That would strengthen his hand in a renewed request for a seat on the board; his last offer to assist in the directors' deliberations was refused. If he decides to sell his stake later on, placing it will be that much more difficult unless the likes of Salomon Bros are prepared to take the lot. All in all, the balance now has shifted slightly in favour of an eventual bid, either from Bell or the recipient of Bell's stake. Clearly if Mr Holmes à Court obtained entry to the boardroom he would have far more information on which to base his decision.

In the event of a full bid, those fund managers who took the tender, or worse still partially accepted it, will have to engage in some logical contortions to justify themselves. Taking a bird in the hand always looks foolish when the two from the bush obediently fly into the net. Investors should now sit tight and watch developments, for if Mr Holmes à Court thinks the shares are good value they probably are.

Coalite Hargreaves

Coalite is so convinced that it can make beautiful slurry together with Hargreaves that it has upped its offer by 30 per cent. The market appears to believe that this is the knock-out blow that Coalite intended it to be: the Hargreaves price gained only 15p to get in line with the cash alternative. In a way such a crude denouement is a pity. No-one has claimed that the Coalite management is better than the respected Hargreaves team, and markets are supposed be about the efficient allocation of assets.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	S	21	70	Malta	F	23	73	Rhodes	S	22	72
Algiers	F	24	75	Edinburgh	F	15	59	Manchester	S	12	54	Rio de Ja'o	C	25	77
Amsterdam	S	15	59	Faro	F	23	73	Manila	S	33	91	Rome	S	24	75
Athens	R	17	63	Florence	S	23	73	Melbourne	–	–	–	Salzburg	S	17	63
Bahrain	S	33	91	[illegible]	[illegible]	[illegible]	[illegible]	Mexico City	C	25	77	San Francisco	C	22	72
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Israeli bomber shot down

Continued from Page 1

when landed, while the other was captured alive. Other, unconfirmed reports, said the surviving Israeli escaped and was in hiding.

Shortly before dusk, reports from Lebanon said Israeli aircraft returned to the area where the Phantom had gone down, and launched strafing attacks.

Israel has a policy of sparing no effort to rescue captured servicemen. Last February, after two soldiers had been kidnapped in the Israeli-proclaimed "security zone" in Southern Lebanon, a massive, week-long operation was launched in an unsuccessful effort to get the men back.

In an eventful day for the Israeli-occupied territories, shops closed in Gaza for a one-day protest strike over alleged harassment by soldiers, while border troops restricted travel across the bridges into Jordan.

Yesterday's planned opening of the first Arab bank in the territories since 1967 was postponed indefinitely, dealing a further setback to recent modest hopes of progress towards peace in the region.

The Nablus branch of the Cairo-Amman Bank, the subject of a delicate written agreement between Jerusalem and Amman, had been due to open yesterday. But disagreements with the Israeli authorities over who would be entitled to use its services led to the postponement, which may prove fatal.

UK monetary strategy

Continued from Page 1

Mr Lawson, anxious to calm the markets after the sharp fall in sterling's value during the past few weeks and a sceptical reaction to this week's rise in borrowing costs, said that British interest rates now had a substantial margin over equivalent dollar rates.

Those remarks, however, contrasted with the concern expressed by Mr Leigh Pemberton over the recent build-up of liquidity in the economy. The Bank Governor said that much of this could be explained by the process of financial change but added: "Even so, liquidity and credit have been growing uncomfortably fast and markets have not failed to perceive this."

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 17 1986

Burroughs weathers industry's problems

By Our New York Staff

BURROUGHS, the Detroit-based computer maker which took over Sperry earlier this year, has reported a 62 per cent rise in third-quarter profits in contrast to the 27 per cent decline at IBM, the industry leader.

Burroughs' net profits for the three months ended September were $52.9m, or $1.03 a share, compared with $32.2m, or 71 cents a year earlier. Sperry contributed $6m, or 12 cents a share, in the latest quarter during which it was acquired. Revenues totalled $1.83bn against $787.1m.

Year-to-date earnings for Burroughs were $145.1m, or $3 a share, against $132.9m, or $2.93, a year earlier. Revenues rose to $5.11bn from $3.56bn.

"Strong international performance, helped by a weaker dollar, offset generally weaker conditions in the US," Mr Michael Blumenthal, Burrough's chairman, said.

Meanwhile, Tandy, the electronics manufacturer and retailer with a strong position in personal computers, has reported net profits for its first quarter ended September of $43.7m, or 49 cents a share, after a $5.2m loss on a discontinued operation, against $41.7m, or 47 cents a year earlier. Sales were $742.55m against $650.83m.

US tobacco groups see stronger sales and profit

BY DAVID BLACKWELL IN NEW YORK

PHILIP MORRIS, the US tobacco, foods and beverages conglomerate, boosted sales for both the third quarter and the first nine months by 76 per cent. Profits were also strongly ahead.

RJR Nabisco, which also operates in the tobacco, food, and beverage sectors, reported strong growth in both periods.

Philip Morris's sales rose from $3.63bn to $6.4bn in the quarter, lifting earnings to $414m or $1.74 a share from $356m or $1.49.

Mr Hamish Maxwell, chairman and chief executive, said the group had registered higher unit volume and market share for cigarettes in the US in the quarter.

International performance remained strong, he said. The continued weakening of the dollar had had a positive effect on foreign currency denominated revenues.

General Foods and Miller Brewing both reported increases in turnover.

At the nine-month stage Philip Morris earned $1.11bn or $4.63 a share against $934m or $3.89. Revenues soared to $18.86bn from $10.67bn.

Comparisons for both the quarter and the nine months exclude the gain of $36m from the sale of the group's industrial operations in July last year. The latest figures include gains of $9m and $29m from a change in pension accounting methods.

The group said the latest figures also included the results from General Foods, owned since November last year, but exclude Seven-Up, the soft drinks unit which it has disposed of in two separate transactions.

RJR Nabisco lifted third quarter net income from continuing operations to $284m or $1.03 a share from $246m or 87 cents. Revenues rose to $4.74bn from $4.46bn.

This took nine-month earnings to $756m or $2.64 a share from $645m or $2.35 a share. Revenues grew to $13.99bn from $10.2bn.

RJR said the latest quarter did not include a loss from discontinued operations of $16m, reflecting the sale of its Kentucky Fried Chicken business to Pepsico earlier this month. Final net profit was $268m.

The tobacco business, both domestic and international, lifted operating earnings by 12 per cent, said the group, with volumes increasing by 14 per cent. Nabisco and Heublein, the food and beverage units, also performed well.

Bankers Trust income boosted

By Our New York Staff

BANKERS Trust New York, parent of the sixth-biggest US bank, yesterday reported a 16 per cent rise in third-quarter net income to $110.3m.

The company notes that if a special gain in the previous year's third-quarter is excluded, current earnings have risen by 35 per cent.

The group's performance has been helped by $49.6m of trading account profits and commissions, which compares with a small loss last year, and foreign exchange trading income of $27m – $15m higher than last year.

The group's non-interest income increased 70 per cent to $232.9m and is now close to matching its net interest income, which rose by 17.5 per cent to $269.9m. Interest expenses rose 32 per cent to $270.9m and the bulk of the increase reflected profit incentive plans. The group's provision for loan losses rose by $10m to $40m in the latest quarter.

On a per share basis, Bankers Trust earned $1.53 in the latest quarter compared with $1.37 a year ago. For the nine months its earnings are a fifth higher at $330.5m.

Bank of New York Company reported a 15.9 per cent rise in third-quarter net income to $37.9m.

Gains in net interest income helped to raise Marine Midland Banks' third-quarter net income by 0.3 per cent to $35.4m or $1.75 a share from $35.3m or $1.73 a share in the same period last year.

Marine, which is 51 per cent-owned by Hongkong and Shanghai Banking Corporation, said net income for 1986 to date rose by 12.5 per cent to $106.7m, or $5.30 a share, from $94.9m, or $4.59 a share, in the first nine months of 1985.

Net interest income on a taxable-equivalent basis rose by 12.2 per cent to $218.5m, but non-interest revenue fell 20.5 per cent to $67m reflecting a decline in trading asset revenues to $3.4m from $15.3m and lower investment securities gains of $1.4m against $14m.

Republic New York lifted third-quarter net income to $37.4m, or $1.22 a share, from $30.8m, or $1.01 raising the nine-month results to $100.6m, or $3.29 a share, from $90m or $2.93.

Flat earnings lifted by special gains at AT&T

BY OUR NEW YORK STAFF

AT & T, the US telecommunications group, lifted its third-quarter net earnings from $378m to $533m, or from 33 cents a share to 48 cents.

But Mr James Olson, who became chairman on September 1, said: "While our earnings improved over last year, we are still not seeing the overall progress we want and investors expect."

Revenues for the quarter eased to $8.43bn from $8.66bn last time.

The group noted that the quarter had benefited from a $116m gain after a reduction in pension costs. Two other additions lifted the result by a further $88m.

Partially offsetting the gains was a one-off charge of $27m taken in relation to reductions in the workforce and the consolidation of warehousing, distribution and repair facilities.

Mr Olson said the management had in the last few months made a candid assessment of the group's resources and the conditions facing the business. It had now agreed on a strategy which it believed would benefit shareholders.

The threefold plan is to strengthen the core business of the group, develop networking capabilities to make at AT & T a leader in the global data networking industry and establish firmly the group's international business.

At the nine-month stage at AT & T earned $1.48bn or $1.32 a share, up from $1.19bn or $1.05 a share last time. Revenues were flat at $25.56bn against $25.52bn.

The group said revenues for services, largely long distance, were 7.2 per cent up in the quarter, mainly as a result of increased volumes. Total costs and expenses were down 5 per cent in spite of higher depreciation expenses. Product sales fell 12.6 per cent and revenues from leased equipment continued to decline.

Georgia-Pacific strongly ahead

BY RODERICK ORAM IN NEW YORK

US FOREST products companies are turning in contrasting third quarter results with Georgia-Pacific and International Paper strongly ahead and Bowater reporting a sharp downturn.

Georgia-Pacific reported net profits of $97m or 90 cents a share for the three months ended September, up from $28m or 23 cents a year earlier, a period which included a loss of $30m or 29 cents a share from a discontinued operation. Sales were $1.91bn against $1.75bn.

This brought nine-months' net earnings to $213m or $1.94 on sales of $5.44bn. This corresponds to last year's figure of $144m (after a loss of $30m from the discontinued operation) or $1.56 on sales of $5.13bn.

"Demand for our building products is healthy," the company said. Third quarter operating profits of the segment rose to $139m from $109m despite low prices. Imports from Canada remained a threat although the volumes had been cut by a strike in British Columbia.

Operating profits in the latest quarter of pulp, paper and paperboard activities rose to $51m from $5m, reflecting increased demand, higher prices and cost reductions.

International Paper reported third quarter profits of $85m or $1.66 a share on sales of $1.25bn, compared with $15m or 18 cents a share on sales of $1.11bn a year earlier. Nine months' net earnings were $173m or $3.27 a share against $69m or $1.39 on sales of $3.62bn compared with $3.39bn.

The company said higher profits came from cost reductions and firmer markets in paper, pulp and packaging but timber prices and earnings remained depressed by imports of Canadian softwood.

In contrast, net profits for Bowater, the largest US newsprint producer, fell sharply in the third quarter to $9.58m or 29 cents a share on sales of $237.34m from $16.5m, or 56 cents, on $218.97m a year earlier. Net profits year-to-date were $29.5m or 87 cents a share against $46.9m or $1.60 on sales of $663.92m against $665.96m.

Newsprint margins were eroded by price discounting and low export prices, while manufacturing costs jumped in part because of start-up costs of a new mill and operating problems elsewhere.

Coated paper operating profits were hit by excess capacity in the market while pulp was "our one bright business segment," the company said.

American Express lifts third quarter net income by 19%

BY WILLIAM HALL IN NEW YORK

AMERICAN EXPRESS, the US financial services and travel conglomerate, increased its third quarter net income by 19 per cent to $293m, which has boosted its nine month earnings to $973m.

The group earned $1.31 per share in the latest quarter compared with $1.08 last year. For the nine months the company earned $4.30 per share compared with $2.36 per share in the same period of last year.

The latest earnings are not distorted by special factors, such as the second quarter's $88m gain on the sale of the group's Fireman's Fund shares. They underline the strong performance of American Express's four main operations which all reported record earnings.

The group's traditional Travel-Related Services (TRS) businesses continue to provide the bulk of American Express's earnings growth. This is slightly surprising given the lower US airline fares and continued softness in international travel markets. Net income on this side of the business rose 16 per cent to $178m and the return on equity averaged 26 per cent in the latest quarter.

The results reflected an all-time high in card charge volume, record travellers cheque sales and improved productivity resulting from cost containment programmes.

Shearson Lehman Brothers increased its third quarter contribution by 79 per cent to $65m, while American Express Bank's net income rose by 13 per cent to $45m and the net income of IDS Financial Services climbed 25 per cent to $25m.

Mr James Robinson II, the chief executive of American Express, said "every company in the American Express family continues to perform well. Both the businesses that have long been part of American Express and those that we acquired in recent years have again generated strong returns."

He said that the group's strategy of "emphasising strong brand names and multiple distribution channels – rather than a supermarket approach to the marketplace – is serving us well, not only in the US but around the world."

Dow Chemical sees earnings rise to $170m

By Our New York Staff

DOW CHEMICAL, the second biggest US chemicals group, has reported its strongest third-quarter performance since 1979.

Earnings rose to $170m or 88 cents a share from $107m or 56 cents a share. Turnover eased to $2.79bn from $2.87bn.

The latest quarterly figure contains a pre-tax gain of $54m from asset sales, including the proceeds from the sale last month of the group's 9.4 per cent stake in Rorer, the Pennsylvania-based pharmaceutical group.

Mr Robert Keil, executive vice-president of Dow, said operating income for the quarter had more than doubled, led by a very strong performance in the US. Worldwide, physical volume was up 6 per cent.

"All of Dow's business segments posted improved operating income over the comparable period of 1985, and we continued to operate our plants at high rates in our basic chemicals and basic plastics segments," said Mr Keil.

A further tightening in the supply and demand balances for basics was helping to support the earning capability of these businesses in a period of lower costs for some raw materials, particularly hydrocarbons, he said.

At the nine-month stage, Dow earned $572m or $2.99 a share against $372m or $1.85 last year. Turnover eased to $8.54bn from $8.63bn.

Mr Keil said the group expected to continue the improvement in earnings in the fourth quarter.

US plans sale of stake in Continental Illinois

BY OUR NEW YORK CORRESPONDENT

THE US Government yesterday announced plans to sell a third of its stake in Continental Illinois, the big Chicago bank which had to be rescued after a run on its deposits in 1984.

Mr William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC), the federal bank regulator which masterminded the rescue, said that his agency would probably lose $1bn on the $4.5bn rescue. But he indicated that the Government would do the same again if a major bank suffered another such run on its deposits.

Mr Seidman said banks the size of Continental Illinois are "too big . . . to allow to fail." His comments will reassure some international money managers who are known to have become increasingly nervous at the rapidly rising rate of US bank failures and the financial condition of some of the bigger banks in the hard pressed energy states of the southwest US.

Mr Seidman made his comments after announcing that the Government was taking the first steps to return Continental Illinois to the private sector. He said Continental Illinois Corporation, the parent of the Chicago bank, would file a registration statement with the Securities and Exchange Commission (SEC) for a public offering of 50m of the 160m shares held by the FDIC.

At present only 15m shares of Continental Illinois are owned by private investors and fears that the FDIC would soon start to unload its shares on the market have depressed Continental's share price in recent weeks. The shares fell by 3/8 to $6⅝ in early trading yesterday.

After the sale the FDIC will continue to control a majority of the shares.

"We recognise the size of the proposed public offering is relatively modest," said Mr Seidman yesterday. "But we are attempting to balance two possibly competing goals – a quick privatisation of Continental Illinois and the maximum recovery of deposit insurance fund outlays."

Since the FDIC rescued Continental Illinois, the bank has been steadily recovering.

Bouygues rises 5% in first half

By Paul Betts in Paris

BOUYGUES, the leading French construction group, yesterday reported a 5 per cent increase in consolidated net profits to FFr 145.4m ($22.5m) from FFr 138.4m in the first half last year.

The group said first half earnings are traditionally lower than those in the second half. It added that it expected consolidated earnings for the whole of this year, including Screg, the construction group it took over earlier this year, to be higher than the 1985 surplus of FFr 468m.

Bouygues said that Screg would be close to break-even this year despite the poor performance of its Dragages-Travaux Publics unit.

With the acquisition of Screg, Bouygues estimates its consolidated sales this year will total FFr 45.8bn

MoDo profits suffer decline of 51%

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

MODO, a leading Swedish forest products group, suffered a steep drop in profits in the first eight months of 1986 with a fall of 51 per cent to SKr 217m ($32m) compared with SKr 444m a year earlier.

The group said that profits for the full year (before extraordinary items, allocations and tax) should total SKr 250m–SKr 300m, a sharp decline from the SKr 551m achieved last year and the record profit of SKr 791m in 1984.

The biggest cause of the fall was the declining profitability of MoDo's pulp operations, which ran up a loss of SKr 113m in the eight months from January to August compared with a profit of SKr 175m a year earlier.

The group's results were burdened for the first time with interest costs of SKr 72m arising from the leasing of MoDo's two newest plants, a fine paper machine and a CTMP (chemi-thermo-mechanical pulp) mill.

The group's profits would have been even harder hit but for gains of SKr 96m from the sale of bonds and other fixed interest securities. Group sales stagnated at SKr 4.62bn.

MoDo said that demand for pulp had been strong, although there was continuing over-capacity in the market.

Alcoa surplus falls sharply

By Our Financial Staff

ALUMINUM Company of America (Alcoa), the largest aluminium producer in the US, yesterday reported a sharp drop in net profits for the quarter to $34.1m or 39 cents a share from $57m or 69 cents in the same period a year earlier.

Although the result included a $9.9m charge, reflecting the cost of early redemption of a debenture issue, this was offset by a $10.1m gain on currency factors.

Sales during the quarter showed a 13.3 per cent drop to $1.1bn from $1.27bn a year earlier, underlining the continuing difficulties of a market still troubled by over-supply.

Valeo recovery forecast

BY PAUL BETTS IN PARIS

VALEO, the French car components group which has come under the management control of Mr Carlo de Benedetti of Italy, expects to report consolidated group profits of FFr 250m ($38.6m) this year after losses of FFr 85m last year and a deficit of FFr 147m the year before.

Mr Yves Michaux, Valeo's chief financial executive, disclosed these profit estimates yesterday. They take into account the industrial activities of the Allevard Industries group, which have recently been absorbed by Valeo, and the latest capital increase operation by the French car components group.

The capital increase will inject FFr 700m into the company through an issue of shares with warrants this year. With the conversion of warrants next year and the following year, the capital increase will add a total of FFr 1.5bn of fresh funds to the group.

These funds are designed to reduce Valeo's debts from FFr 3.6bn at present to around FFr 2bn by the end of 1988, Mr Michaux explained.

Anglo American dividends raised

INCREASED final dividends for the year to September 30 have been declared by the Anglo American Corporation of South Africa group companies which were formed out of last year's merger of the Orange Free State gold mines.

Free State Consolidated Gold Mines (Freegold), the world's biggest gold mining complex, is declaring a final of 175 cents following its first interim of 160 cents.

Of the holding companies, Orange Free State Investment (Ofsil) is paying a final of 456 cents to make a year's total of 873 cents and Welkom Gold Holdings is paying 119 cents for a total of 228 cents.

East Rand Gold and Uranium (Ergo), the group's dump retreatment operation, is declaring an interim of 50 cents

Saab rises 20% in first eight months

BY SARA WEBB IN STOCKHOLM

SAAB-SCANIA, the Swedish motor and aerospace group, showed a 20 per cent increase in profits for the first eight months and expects profits for the full year to be over SKr 3bn ($440m) an increase on last year's figure of SKr 2.776bn and an improvement on earlier forecasts.

Profits (before appropriations and taxes) for the first eight months were SKr 1.918bn compared with SKr 1.61bn in the same period in 1985.

Group sales were up 13 per cent and reached SKr 22.509bn, against SKr 19.971bn last year. Sales overseas increased by 21 per cent to SKr 15.125bn, or 67 per cent of total sales. Exports from Sweden rose by 30 per cent to SKr 10.703bn.

The Scania division, which makes trucks and buses, showed a 10 per cent increase in sales at SKr 9.519bn helped by increased demand for heavy trucks in western Europe – where Scania increased its market share – and Latin America. However, demand in the US and the rest of the world fell.

The number of buses and trucks sold rose to 17,855 (compared with 15,925 in the same period last year), with 93 per cent delivered to markets outside Sweden.

The Saab car division showed a 15 per cent increase in sales at SKr 9.039bn. The passenger car market in western Europe increased by just over 5 per cent during the eight months but was unchanged in the US.

Saab car division sold 82,135 cars (compared with 70,508 in the same period last year) of which 79 per cent were sold in foreign markets. Sales of Saab cars increased on all export markets and deliveries to the US rose by 13 per cent to 32,000 cars.

The Saab aircraft division showed a 34 per cent increase in sales, helped mainly by higher sales of the regional airliner, Saab SF 340. Sales totalled SKr 2,309bn, but income for the division was much lower than last year because Saab has now taken over the production of wings and tail units for the aircraft.

The Saab-Scania Enertech division showed a 1 per cent decrease in sales to SKr 872m. The company said the demand for residential heating products in Sweden has declined further due to lower oil prices and a planned increase in electricity prices.

INTERNATIONAL COMPANIES AND FINANCE

FIRST COUNTER-MEASURE AGAINST ICAHN BID

USX to spin off chemicals unit

BY WILLIAM HALL IN NEW YORK

USX, the embattled US energy and steel group, plans to raise more than $500m by spinning off its chemicals operations as an independent company.

The announcement, reported in some late editions yesterday, came only nine days after USX received an unsolicited takeover offer from Mr Carl Icahn, one of the most feared corporate raiders. It is seen on Wall Street as the first of a series of defensive moves intended to preserve USX – formerly US Steel – as an independent company.

USX's investment bankers have been working against the clock to devise ways of enhancing shareholder value as an alternative to Mr Icahn's offer, and the company is expected to announce its full restructuring plans by October 22. Mr Icahn has said he will leave his $31 per share offer open until the company has announced its plans.

Speculation has been lively on Wall Street about how USX will try to counter Mr Icahn, who is regarded as one of the country's shrewdest financiers.

Among the options open to the company is the sale of some of its lucrative oil assets, which would make it a far less attractive takeover candidate, or the appearance of a friendly "white knight" which might be prepared to top Mr Icahn's offer in the hope that USX's long-term prospects would justify the investment.

The sale of the group's chemicals operations, detailed in a registration statement filed with the US Securities and Exchange Commission yesterday, had been expected for some days. USX is planning an initial public offering of 22.5m shares in Aristech Chemical, which will control all of the assets of its USS Chemicals division with the exception of the Tenn-USS joint venture in Pasadena, Texas.

USX will sell the Aristech shares to investors in the US and overseas through a syndicate of underwriters led by Shearson Lehman Brothers and Goldman Sachs. The initial public offering price for the Aristech shares is estimated at between $17 and $20 per share.

In addition, Aristech will repurchase $150m worth of its shares from USX at the initial public offering price, with the result that it will have no stake in the company.

Aristech earned $12.7m or 56 cents per share, on sales of $789m in 1985. In the first nine months of 1986 it earned $28.2m or $1.16 per share, on sales of $574m.

The group's pro forma financial data show shareholders' funds of $218m, long-term debt of $200m and assets of $430m. Mr Thomas Marshall, 57, the current president of USX's diversified group, will be chairman and chief executive of Aristech, which manufactures a wide range of chemicals and polymers

Digital earnings surge by 153%

By David Blackwell in New York

DIGITAL Equipment (DEC), IBM's most serious challenger in the US computer market, boosted earnings for the first quarter of its fiscal year by 153 per cent on the back of a 26 per cent surge in revenues.

This is in marked contrast to IBM's 27 per cent downturn in third-quarter profits announced earlier this week.

DEC earned $182.8m or $1.37 a share for the quarter, compared with $72.3m or 60 cents a share last time, on revenues of $2.04bn against $1.62bn.

Mr Kenneth Olsen, DEC president, said the gains reflected "the broad market acceptance of our networked systems solutions." DEC, following a strategy started by Mr Olsen 15 years ago, has opened a wide technological lead in linking computers into networks, and is taking business from the heart of IBM's market.

Although DEC has replaced its entire line in the past 18 months, new models are compatible with older software and customers can make the switch without incurring extra expense on new software.

"Our performance also reflects Digital's long-standing strategy to work closely with our customers," Mr Olsen said. "In the quarter we further evolved our industry marketing initiative by continuing to target and align our products, applications and sales training to key industries."

A high level of demand was registered from European customers in the quarter.

Scor doubles equity base of US group

BY DAVID HOUSEGO IN PARIS

SCOR, (Société Commerciale de Reassurance) the large French reinsurance company, has doubled the equity base of its American subsidiary through a capital increase in the US which has also given it a listing on the New York Stock Exchange.

The group's US activities were the major factor behind Scor's return to consolidated profit last year after a long period in the red.

The new fund raising operation boosts the equity capital of Scor US, the group's US holding company by $54m to $96m while giving the US public 32 per cent of the shares. Scor is one of the few French groups along with Air Liquide and L'Oréal to have raised equity capital on the US market.

According to Mr Patrick Peugeot, the group's President, Scor RE, the US operating subsidiary, will now be able to double the number of its premiums in the US without any notable increase in its operating expenses. US regulations impose tight capital premium rations on US insurers.

Scor RE, which is among the fifteen largest reinsurers in the US, boosted premiums last year by 39 per cent to $32.4m. Already in the first half of this year, premiums had climbed to $23.6m.

Net profits last year amounted to $979m after a net loss in 1984 of $928m. This sharp turnround is due both to a rationalisation of its US business with increased concentration on specific risks and to the substantial pick up in the profitability of the US reinsurance market.

Among the risks on which Scor is concentrating are large industrial plants such as oil refineries, major construction sites such as tower blocks and energy-related risks including a new nuclear power station in China.

Scor's French and other international activities have also been drastically rationlised

Scor is currently 64 per cent state-owned with the state-owned insurance groups having a substantial stake in the company. As these are privatised, the state's holding is expected to fall to below 50 per cent.

Mines warn on loss of Mozambicans

BY JIM JONES IN JOHANNESBURG

RANDFONTEIN and Western Areas, the two gold mines managed by mining house JCI, will respectively have to replace between 20 per cent and 26 per cent of their black workforces over the next year as the South African Government's ban on recruitment of Mozambicans bites.

Mr Ken Maxwell, the chairman of both mines, says Mozambicans occupy proportionately more key jobs than other black miners. However, the two companies have not been able to quantify the effect of not being able to rely on re-enlistment of trained men.

Mr Bob Bertram, the two mines' consulting engineer, said in Johannesburg yesterday that he does not expect any labour disturbances by Mozambicans denied re-enlistment privileges and believes that they will continue to be what he describes as "a steadying influence" on the black workforce. He added that the Mozambicans were "in danger of losing their jobs anyway if they cause trouble."

At present both mines are discussing with the National Union of Mineworkers (NUM) retrenchments which are likely to reduce black workforces by more than a quarter as mechanised mining techniques are introduced over the next few years.

During the September quarter Randfontein continued to reduce its gold recovery grade, to 4 grammes per tonne from the June quarter's 4.4 g/t, but recovery is not expected to fall further, Mr Bertram says.

The quarter's mill throughput rose to 1.66m tonnes from 1.58m tonnes in the June quarter and an additional 100,000 tonnes per month milling capacity will come on stream next April when the new Doornkop section's No 2 plant is commissioned.

Revenue from gold rose to R200m ($43m) from the previous quarter's R158.5m, in response to an increase in the average rand-denominated gold price to R30,173 per kilogramme from R22,462.

Western Areas' recovery grade dropped to 4.0 g/t from 4.2 g/t and mill throughput fell to 946,000 tonnes from 988,000 tonnes because of what Mr Maxwell describes as "hiccups in the management of the mine." The average gold price received rose to R26,780/kg from R24,895/kg. The quarter's revenue from gold slipped to R102.1m from R104.5m.

Unlike most other gold mines, Western Areas continues to sell forward part of its expected gold production and to hedge against movements in the dollar-rand exchange rate.

This has generally resulted in rand revenues per kilogramme being lower than those received by other mines, as about half of the mine's expected gold output has been regularly sold forward in the past.

Higher gold prices have prompted management to halve the amount sold forward and the forward selling will be dropped altogether when the mine's mechanisation is completed during the next 12 to 18 months.

Western Areas recently lost an appeal to allow losses on the forward selling programme to be offset against mining profits at the marginal mining tax rate.

Neither mine fears that its uranium sales are threatened by the recent US ban on imports from South Africa. Randfontein has long-term sales contracts with the French power utilities and most of Western Areas' uranium is unofficially said to be sold to France and Germany.

Canadian Tire founders to sell voting shares

BY ROBERT GIBBENS IN MONTREAL

TWO MEMBERS of the family which founded Canadian Tire Corporation, the merchandising success story of the Seventies in Canada, have put their 1.4m voting shares up for sale. The shares are worth between C$50m and C$70m (US$36m and $50m).

The holding of Mr Alfred and Mr David Billes, totalling 41 per cent of the voting stock, is on offer through investment dealers.

Canadian Tire is a national car parts, sports and hardware group including 380 independent franchise dealers who together own 13.4 per cent of the voting stock.

The 3.4m voting shares outstanding represent only 5 per cent of the equity and more than 80m non-voting shares are in issue. In some takeover conditions the non-voting stock exercises a vote.

Texas pours more cash into People

By Our New York Staff

TEXAS AIR, which is to take over People Express, the troubled, cut-price airline, has advanced a further $10m to People.

The advance, which brings the amount Texas has paid so far to People to $40m, followed tentative approval for the merger by the US Department of Transportation. Texas also said it had made substantial progress in matters involving People's Frontier Airlines subsidiary, currently operating under chapter 11 of the US bankruptcy code.

Texas has agreed to pay up to $54m to People during the takeover transaction as certain conditions are met. People had warned that it might be unable to pay interest due on loans if it did not get more cash from Texas.

Firestone confident in Spain

BY DAVID WHITE IN MADRID

FIRESTONE of the US has confirmed its hopes of obtaining profits in Spain after taking full control of its Spanish tyre manufacturing affiliate.

Mr Jerome Nunn, managing director of Firestone Hispania, said the year ending October 31 would show a positive result on sales increasing by over 13 per cent.

The turnover increase was despite the negative impact of the lower dollar on the company's dollar-denominated exports, which account for between 15 and 20 per cent of sales.

The Spanish operation, which exports about 40 per cent of production, showed a consolidated loss of Pta 786m ($6m) in 1984-85 on sales of Pta 34.5bn. The parent Spanish company lost Pta 1.47bn

Coca-Cola 21% ahead for third quarter

By David Blackwell in New York

COCA-COLA, the leading US soft drinks group, boosted third-quarter earnings by 21 per cent on the back of a 30 per cent increase in turnover.

Net income for the quarter reached a record $233.1m or 60 cents a share, against net income from continuing operations last time of $192.3m or 48 cents a share. Revenues advanced to $2.75bn from $2.11bn.

Mr Roberto Goizueta, chairman and chief executive, said the group had reached its highest soft drink market shares ever, both in the US and internationally.

Coco-Cola would continue to build on its success through innovative transactions, he said, citing the group's bottling joint venture with Cadbury Schweppes in Britain, and the formation of Coca-Cola Enterprises, the largest of the group's bottler units.

Earlier this week the group announced plans to offer a 51 per cent stake in Coca-Cola Enterprises in what is likely to be the biggest initial public stock issue in US history, worth $1.5bn.

At the nine-month stage, Coca-Cola earned $619.8m or $1.60 a share, against net from continuing operations last time of $525.8m, or $1.33. Revenues grew to $7.11bn from $5.79bn.

Further defensive purchase by ACI

BY ROBERT KENNEDY IN SYDNEY

ACI INTERNATIONAL, Australia's leading glass maker and packaging company, yesterday took the total of its recent US purchases to A$300m and added an important brick to its defensive wall when it announced the purchase of a 49 per cent holding in a soda ash deposit owned by the Henley Group of California.

Henley also indicated its interest in taking 10 per cent of the Australian company. If it succeeds, ACI's recent suitor, the New Zealand-backed Equiticorp Tasman, will faces a considerable challenge if it tries to make another tilt at control of ACI. About 40 per cent of ACI would be in the hands of purported long-term investors.

Henley, a group of businesses spun-off in May by Allied Signal in a $1.28bn offering, at the same time warned its own shareholders that its earnings might suffer in the current year from charges of as much as $300m.

The company said its Fisher Scientific unit could account for a $100m to $200m charge, while a review of all its operations currently in progress could result in additional write-offs of $100m. Henley has involvements in medical technology, engineering and chemicals.

If bought in the market, a 10 per cent stake in ACI's current capital would cost some A$123.5m (US$79.2m). Ahead of the news, ACI shares closed in Sydney at A$3.70, off 2 cents.

The importance of the linking with Henley of the US for ACI relates to the Green River soda ash operation. Soda ash is an important ingredient, along with silica and limestone, in the manufacture of glass products.

Henley's deposit is one of only two natural soda ash deposits in the US and of three deposits in the world. The other American deposit is in California and the third deposit is in Kenya.

The US purchase will provide a valuable source of supply to ACI's US glass division which achieved considerable growth in sales and profits in 1985-86.

NCSC criticises Elders share deals with BHP

AUSTRALIA'S National Companies and Securities Commission (NCSC), yesterday criticised both Broken Hill Proprietary (BHP) and Elders IXL for share transactions earlier this year, which insulated both companies from possible takeovers involving Mr Robert Holmes à Court's Bell Resources, Reuter reports from Canberra.

The NCSC report on the deal, tabled in parliament, said BHP's purchase of preference shares in Elders on April 13 amounted to a "substantial defensive measure" which entrenched the Elders board, but which probably disadvantaged its shareholders. It said this purchase was the equivalent of a "poison pill."

Elders snapped up about 18.5 per cent of BHP in a A$1.7bn (US$1.09bn) share raid in early April.

Soon afterwards, BHP announced a A$1.22bn investment in Elders bonds and preference shares, which on conversion over a maximum of eight years would give it up to 20 per cent of Elders.

The NCSC in July ruled that the deal was not unacceptable but it did recommend some changes to takeover legislation.

The NCSC report said the BHP board had been hasty in its purchases of A$216m in Elders convertible bonds and A$1bn of preference shares, and said Elders had issued a misleading public statement which said that BHP's purchase of the convertible bonds had been done through the market.

Canberra policies under fire from Elders chief

MR JOHN ELLIOTT, the Australian entrepreneur whose Elders IXL conglomerate recently paid £1.4bn for Courage Breweries in the UK, yesterday launched a strident attack on the Canberra Government's economic policies, saying he no longer thought it worth investing in his own country, Chris Sherwell reports from Sydney.

"The high interest rate structure and the increase in taxes in this country suggest to us, every time we look at a new investment opportunity, that Australia would be the last place you would want to invest," he declared.

"You've got to remember that large international companies like we are are not prepared to make sympathetic investments because we'll lose our jobs if we don't perform."

Mr Elliott, who is 45, made his remarks at a time when government ministers and officials are urging businessmen to take advantage of recent economic changes and, in particular, the substantial depreciation of the Australian dollar.

But while he acknowledged that the currency's fall meant manufacturers now had a good opportunity to become internationally competitive, he was pessimistic about the investment climate and said he didn't think the Labor Government led by Mr Bob Hawke fully understood how businesses made their investment decisions.

Australia, he suggested, was a worse place than Britain, the US or Hong Kong to invest in once interest rates and tax systems were taken into account.

Bond to boost Asian operations

BY DAVID DODWELL IN HONG KONG

BOND CORPORATION, the Australian conglomerate controlled by Mr Alan Bond which has interests ranging from brewing and hotels to property and oil exploration, is negotiating to acquire a substantial stake in Atlas Industries, the Philippines' largest—but ailing—copper mining group.

The deal will be the latest—but certainly not the last—of a number of acquisitions in Asia that mark a decision by Bond to boost its operations in the region, the Australian entrepreneur said in Hong Kong yesterday.

His visit was intended to prepare the ground for the establishment and public listing in Hong Kong of Bond Corporation International, which will act as the group's vehicle for acquisitions outside Australia.

Bond Corporation two weeks ago acquired from Hongkong Land, the leading Hong Kong property group, a portfolio of some of the territory's most prestigious residential properties in a deal worth HK$1.4bn (US$183.3m). While some of these properties will in due course be resold, Mr Bond said yesterday that the prime properties in the portfolio will form the core of the new listed company's property operations in Hong Kong.

It has since acquired what amounts to a shell company in Hong Kong, called Town and City International, that is to be transformed into Bond International.

Reports from Manila suggested that negotiations with Atlas Industries involved proposals that Bond would assume responsibility for group debts amounting to US$275m, eventually being repaid in gold, which is mined in association with copper. Bond would acquire an undisclosed stake in the group by injecting equity through a Philippines holding company.

Bond is also negotiating a possible takeover of the Philippines-owned San Miguel Breweries operation in Hong Kong. Mr Bond said yesterday that discussions with San Miguel were still inconclusive, with no outcome likely in the near future.

Japanese supermarket groups lift earnings

By Yoko Shibata in Tokyo

JAPAN'S FOUR leading supermarket operators achieved strong performances in the half-year to August as the effects showed through of measures to reduce borrowings and tighten stock control by the use of computerised point-of-sale systems.

Dai'ei, the largest achieved pre-tax profits of Y8.81bn ($57.15m), up 7.3 per cent, on turnover which rose 6.8 per cent to Y709.61bn. Net profits fell 12.4 per cent to Y3.13bn, however, since it had to write off Y5bn cumulative loss incurred by a subsidiary in Tsudanuma.

The interim per share dividend is unchanged at Y8.25, while for the full year Dai'ei expects pre-tax profits of Y18bn, up 8.2 per cent, and net profits of Y6.2bn, up 7 per cent, on full-year turnover of Y1,440bn, ahead by 5 per cent.

Ito-Yokado recorded a 13.5 per cent gain in half-year unconsolidated pre-tax profits to Y24.4bn with net profits of Y12.27bn, up 19.2 per cent, on turnover which at Y484.48bn was up 3.5 per cent. Interim per share profits advanced from Y32.67 to Y34.88.

Consolidated net profits advanced 1.6 per cent to Y15.87bn, the more modest growth attributed to investment in Robinson Japan.

For the full year, parent company pre-tax profits are projected at Y50.5bn, up 9 per cent, with net profits of Y23.7bn, up 10 per cent, on turnover of Y993.2bn, ahead by 4 per cent.

Seiyu enjoyed a 15.8 per cent growth in half year pre-tax profits to Y4.49bn. Net profits were Y1.97bn, up 6 per cent, on turnover of Y401.9bn, a 9 per cent rise. Seiyu said the cost of renovating stores and sending buyers abroad dragged down operating profits by 14.4 per cent, but this was offset by lower interest rates and reduced liabilities.

For the full year, Seiyu expects record pre-tax profits of Y9.3bn, up 14.7 per cent, on turnover of Y800bn, up 4.5 per cent from a year earlier.

Nichii reported a 19 per cent gain in pre-tax profits to Y7.5bn with net profits of Y4.06bn, up 12 per cent. Turnover was Y278.79bn, down 1 per cent from a year ago.

Full-year pre-tax profits are forecast to reach a record Y18bn up 9 per cent, on flat turnover of Y578bn.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Clare Pearson examines the importance of ranking to Eurobond bookrunners

Lead managers feel league-table pressure

THE LEAGUE tables of Eurobond lead-management were the heart of the ill in the market said one syndicate manager after the publication of the latest rankings.

Perhaps no market studies itself so assiduously as the Eurobond market, and the main focus of its attention is the league tables. Even houses that claim indifference to these rankings say they want to stay high enough to be "credible," and define credibility by a circular argument about league-table placings.

The need for league-table credibility is most acute for the second-tier houses. Many of them are having to re-examine strategy as their struggle to stay in the dollar-bond underwriting business becomes an increasingly unprofitable pursuit.

Top houses can feel certain of their share of the profitable business, even in difficult market conditions. They enjoy a "transfer of confidence": high-quality borrowers are easily persuaded of their competence in a range of market sectors, even if their league-table prominence may arise from a historical prowess in just one.

Conversely, houses at the bottom of the tables enjoy the advantage of not having to try. They can specialise in a small sector of the market, benefiting from the increasing market share of the peripheral currencies. Where they are involved in mainstream dollar business, they are able to pick and choose their participations.

But middle-ranking houses feel under continual pressure to maintain market profile by buying what deals they can, and inevitably face losses on their commitments.

The aspiring league-table climber has had a particularly difficult time in this year's volatile market. Underwriters piled into deals in the spring, when tumbling international interest rates sent the market on an issuing spree. They then faced a long hard summer trying to distribute these bonds while the end investor, concerned about the direction of the dollar and US interest rates, was steering clear of dollar fixed-rate bonds.

The floating-rate note market enjoyed a brief renaissance as investors moved in to pick up cheap seasoned issues, the debris of its fall from favour last year. But then a spate of optimistically priced new issues once again sent it into the doldrums.

Equity-related bonds have proved the most reliable profit generators. Japanese houses have benefited the most from this, however, as they brought a crop of equity-warrant deals for their corporate clients. US houses have considerably more difficulty persuading US corporates to issue equity-related bonds in Europe.

Some syndicate managers say that this year's pain has led to a new realism in the markets. Deals are becoming harder to syndicate as houses are less inclined to take on loss-making positions for relationship reasons. Also many are withdrawing from the lead-management scramble altogether.

But "taking a rest" from the market has its own perils, because the high-turnover, low-margin nature of Eurobond business makes it important to be a continuous player. Unless a house keeps its finger on the pulse of the market, it is unlikely to be able to get its timing and pricing right when it does bring an issue.

Will the current number of players in the bookrunning game survive these difficult times?

Most syndicate managers expect a widening gap between the big players and the lesser market participants. Houses with access to a variety of markets and with the capability to devise a wide range of products will take an increasing share of the cake.

American investment banks which are already top Eurobond players are consolidating their positions. While dollar bonds are out of fashion on the Continent, the banks can concentrate on securities business in the US. Many are paying relatively less attention to the Eurobond market as they carve out a share of the rapidly growing Euro-equity market.

European houses with a captive source of non-dollar Eurobond volume similarly are able to ease up on the dollar market, altogether or as non-dollar bonds although they cannot ignore it do not generate enough volume to enable them to stay at the top.

This leaves increasing space for the Japanese houses on the higher reaches of the league tables. They have shown a dogged determination to move up the scale this year. This was highlighted when Nomura International became No. 2 in the bookrunning table (compiled by IDD Information Services) for the first nine months of this year.

This position has been achieved not only by means of Euroyen and equity warrants bonds. The securities houses have also made a convincing assault on the dollar-fixed rate sector, while the banks have been strengthening their position in the floating-rate note market.

The second-tier houses will have to reconcile themselves to a decreasing market share. But after this year's difficult market, many are taking the view that league-table mountaineering is simply not worthwhile, given the numbers of contestants.

TOP EUROBOND BOOKRUNNERS
FIRST NINE MONTHS 1986

	$bn	Market share %	1985 Ranking	$bn	Market share %
CSFB	17.17	11.9	(1)	19.21	14.2
Nomura Securities	12.15	8.4	(8)	5.10	3.8
Deutsche Bank	10.18	7.1	(5)	7.84	5.8
Morgan Guaranty	7.99	5.5	(3)	7.87	5.8
Salomon Brothers	7.07	4.9	(4)	7.84	5.8
Daiwa Securities	6.58	4.6	(11)	2.99	2.2
Banque Paribas	5.86	4.1	(10)	3.38	2.5
Morgan Stanley	5.63	3.9	(6)	6.53	4.9
Merrill Lynch	4.98	3.5	(2)	7.93	5.9
Nikko Secs. (Europe)	4.50	3.1	(25)	1.82	1.4
UBS	3.66	2.5	(9)	3.84	2.9
Yamaichi	3.46	2.4	(20)	2.24	1.7
S. G. Warburg	2.48	1.7	(17)	2.40	1.8
Goldman Sachs	2.29	1.6	(7)	6.41	4.8
Shearson Lehman Bros.	2.27	1.6	(15)	2.49	1.9

Source: IDD Information Services

Merrill loses ten salesmen to Hutton

By Haig Simonian

A TEAM of ten US equities salesmen has left Merrill Lynch Capital Markets in the UK to join the London arm of E. F. Hutton, the Wall Street firm.

In a new twist to the increasingly familiar mass defection in capital markets, the 12-strong group, headed by Mr Godfrey Bunting, has formed itself into a partnership with Hutton rather than joining as direct employees. This is the first time such a structure has been created, according to Mr Bunting, previously a vice president at Merrill Lynch.

Announcement of the move has awaited legal formalities, including the New York Stock Exchange's approval for the new partnership, called E. F. Hutton International Associates LP, to deal in US equities. Mr Bunting and E. F. Hutton are to be general partners in the new entity, and the other members of staff limited partners. The door will also be open for further recruits.

"The reason for leaving was the inflexibility of a large corporation," said Mr Bunting. "This new endeavour gives us the best opportunity to provide service to UK institutional fund managers as we believe they need it."

The partnership structure would give its members much more autonomy, he added.

E. F. Hutton, which is still building up its capital markets activities in Europe, may well have been more amenable to an unorthodox structure than longer established firms.

BTR Nylex rights

BTR NYLEX, the 62.5 per cent Australian subsidiary of BTR of the UK, is to make a one-for-four rights issue at A$7.75 to raise A$111.5m (US$71.5m), Reuter reports.

The issue has been underwritten except for the portion that would be allotted to BTR.

Attention focuses on floating-rate sector

BY CLARE PEARSON

THE floating-rate note (FRN) sector was the main focus of attention in the Eurobond market yesterday as a couple of substantial deals for well-known borrowers surfaced. Other sectors of the market also saw lively new issue activity, although secondary-market trading was quiet and directionless.

The European Investment Bank entered the FRN market for the first time with a $300m offering priced on aggressive terms.

The 10-year par-priced deal, callable after one year, pays interest at six-month London interbank bid rate (Libid) less 10 basis points.

Yesterday the deal was quoted at 99.74 bid, a discount to the 20 basis point fees. Dealers said there was little demand for paper paying interest at below Libid.

But Samuel Montagu, the lead-manager, said that this pricing was justified by the issue's rarity value. It said it expected the deal to move slowly until investors organised appropriate credit lines.

Meanwhile, Shearson Lehman Brothers International launched the second FRN for its parent holding company. This $500m deal was for only five years and priced at par with interest payments at a margin of 1/16 point over three-month London interbank offered rate. It is callable after three years at par.

Shearson Lehman's deal traded yesterday at levels within the 35 basis point discount for fees. It benefited from the relative scarcity of five-year floaters, although some dealers were concerned about the weight of paper for Shearson Lehman now in the market.

Meanwhile, in the fixed rate market, another US bank, Morgan Guaranty Trust Company of New York, borrowed $100m with a five-year 7¼ per cent bond led by Morgan Guaranty. The bond, priced at 100⅝, met strong demand.

Later in the day Morgan Guaranty followed this up with a Y15bn five-year FRN, priced at 101, paying interest according to a "step-up" formula, targeted at Japanese investors. It was led by Nomura International.

Elsewhere in the fixed rate market Morgan Stanley International put a bid price of 107 in the market for its five-year bond, convertible into an FRN, for Denmark. It had been estimated that as much as a third of the $300m issue had sold short by dealers, who were not later allocated bonds, at the time of its announcement on Wednesday morning.

Two borrowers made debut issues in the Canadian dollar market. Eastman Kodak issued a C$50m three-year 9¼ per cent bond priced at 101¼. It met an enthusiastic response and traded at a bid price of 100¼. Morgan Guaranty led the deal.

Orion Royal Bank found a less strong response for its C$75m five-year 9⅝ per cent bond for Creditanstalt-Bankverein. Dealers said the bond, priced at 101, was tightly priced.

Yamaichi International led an equity warrants bond for Komori Printing Machinery. The $50m five-year bond has an indicated 3⅜ per cent coupon. Later Yamaichi also brought a $80m seven-year 8¼ per cent bond for Hokkaido Electric Power, priced at 101½.

Yasuda Trust Europe, in its first bookrunning in the Eurobond market, led a $100m 15-year convertible bond for Yasuda Trust and Banking. The deal has an indicated 2⅜ per cent coupon.

Late in the day Nomura International issued a Y10bn five-year bond for Borg-Warner Acceptance Corporation. The bond pays no interest in the first year and 7⅜ per cent.

Prices in the D-Mark market moved slightly better in quiet trading.

In the Swiss franc market prices were steady in quite high volume.

Union Bank of Switzerland issued a two-tranche deal for Province of Quebec, meeting a strong response. The 12-year SFr 125m 4¾ per cent tranche was priced at 100¼ and the 20-year 5¼ per cent tranche at 100½.

SNB urges easier Swiss listing for foreign issues

BY WILLIAM DULLFORCE IN BERN

THE SWISS National Bank (SNB) yesterday added its weight to the pressure for a more liberal admission of foreign securities to listing on Swiss stock exchanges.

Mr Markus Lusser, vice-president of the central bank, suggested that bonds issued by borrowers of lower credit ratings should e traded on the stock market provided that investors had een adequately and accurately informed aout their quality and an appropriate coupon had been fixed.

An admissions board dominated by the big Swiss banks currently sifts foreign securities for stock exchange quotation. At the beginning of the year it announced new criteria on which it would base its rulings, setting a rating of at least triple-B for fixed-rate bonds. This move has not silenced criticism by many foreign banks and smaller Swiss banks.

The nine-member board was set up in the late 1930s under an agreement to which the SNB was a signatory. Five of its members are directly linked to the bond-issuing syndicate run by the big Swiss banks.

The SNB, which is not represented on the board, was now ready to take part in a re-examination of the board's purpose and practice, Mr Lusser said yesterday. He estimated that of the more than SFr 170bn borrowings in Swiss francs by foreigners, only SFr 70bn were quoted on the exchanges.

The listing procedure had not kept pace with the deregulation of the Swiss capital markets initiated by the SNB. The latest instance was the central bank's abolition, in May, of regulations setting maturity and denomination limits on private placements (notes).

Mr Lusser pointed out that the admissions board decided on the listing of a bond issue only once—shortly after issue. Yet the development of the bond's traded price also gave information about the quality of the borrower. He considered that maintaining the transparency of the market could be a more supple instrument for protecting investors than placing shackles on trade in securities.

Mr Lusser also rapped the thre big banks—Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse—over the the knuckles for their delay in deciding on the prospectus requirements on private placements after deregulation last May.

Soditic, the Geneva-based issuing bank which has been among the severest critics of the admission board, was "very happy to hear Mr Lusser saying what we have been telling the markets for months," Mr Jules Keller, a director, said.

Control of listings by the admissions board did not provide the slightest protection for the investor, in Mr Keller's view. He cited the case of Dome Petroleum, the troubled Canadian energy group which is currently asking holders of its listed Swiss franc bond for interest and principal payments to be deferred.

For Mr Richard Meier, the Zurich stock exchange director, however, a fundamental question of Swiss banking philosophy was at stake. Should Swiss banks as money managers for the world sell all kinds of junk bonds or offer bonds as investments?

● Euroclear and Cedel, the Brussels and Luxembourg-based international securities clearing services, said yesterday that Swiss franc private placements will be eligible for clearance through their systems from November 3, Clare Pearson writes.

Swiss franc private placements being substantially traded outside Switzerland and the new systems were designed to aid this, the clearers said. There will be facilities for bridge transactions

The announcement follows deregulatory moves last summer by the Swiss National Bank, which allow for private placements to be cleared outside Sega

As is normal in the Eurobond market, clearance will be by book entry. Physical delivery will not be possible since most private placements, which are in large denominations, are already held in Switzerland in global certificate form.

£150m facility for Household Mortgage Corp.

By Peter Montagnon, Euromarkets Correspondent

HOUSEHOLD Mortgage Corporation, the new UK residential mortgage concern, has launched its first borrowing in the international capital markets in the form of a £150m loan facility led by S. G. Warburg.

Mr Richard Weir, Household's treasurer, said yesterday the facility was designed to fund the company's mortgage portfolio until it is ready to go to the market with its first bond issue, probably in the first quarter of next year.

Between now and the end of the year it intends to arrange lines totalling around £250m from banks—including the new facility—to finance its lending. Even after it has started issuing bonds the lines would be used to fund its growing business.

The loan facility is being syndicated privately and terms are not being disclosed but it is divided into two equal portions comprising a two-year committed loan facility and an uncommitted tender panel facility which Household will use to solicit short-term cash advances from participating banks.

● US Debenture Corporation, the British-based investment trust, has launched a £20m sterling commercial paper programme guaranteed by Barclays Bank. This is believed to be the first sterling programme to carry a bank guarantee and the dealer is Barclays Merchant Bank.

Sime sells 10% of Consolidated Plantations

By Wong Sulong in Kuala Lumpur

SIME DARBY, the Malaysian plantation, industrial, and trading group, has sold a 10 per cent parcel of shares in Consolidated Plantations to foreign institutional investors for 131m ringgit (US$50.3m).

The price of around 2.8 ringgit per share (including commissions) compares with yesterday's closing price of 3.08 ringgit.

The placement was handled by Hoare Govett, the London stockbrokers. The sale of the 47m shares reduces Sime's stake in Consolidated Plantations to 52.5 per cent.

Last Friday, a block of 68m Sime Darby shares were taken up by foreign investors at the price of S$1.75 per share, or about S$119m (US$54.8m).

The seller of the Sime shares has now been identified as Peremba, a Malaysian government-owned property company which notified the Kuala Lumpur stock exchange of the sale yesterday.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on October 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	96½	97	+0½	−0¼	8.26
Amoco Co. 9¼ 16	200	104½	105	+0½	−0¼	9.26
Australia Com. 11 95	200	113¾	114⅛	0	−0½	8.61
Australia Com. 11¼ 00	200	113½	114	0	−0½	9.40
BP Capital 9⅛ 94	100	104½	104⅞	−0⅛	−0¼	8.25
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	156¼	56¾	−0⅛	+0⅛	13.51
Bremer Ldsbk. 12¾ 91 A$	30	†97	98	−0⅛	−0⅛	13.46
Fiat Finance 14½ 89 A$	50	†99¾	100¾	−0⅛	−0⅛	14.25
GMAC 12⅞ 89 A$	40	†98	99	+0⅛	+0⅛	13.51
Landsbk. Rheinl. 13 89 A$	30	†97	98	0	−0⅛	14.15
[illegible]						

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld

[illegible]

DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem

[illegible]

APPOINTMENTS

Changes at Croda International

Sir Frederick Wood has indicated his wish to retire as chairman of CRODA INTERNATIONAL on December 31. He has been appointed honorary life president and will remain on the board as a non-executive director. Mr J. M. Cannon, executive vice-chairman and group chief executive, will succeed Sir Frederick as chairman on January 1. Dr K. C. G. Hopkins, managing director of the Croda World Trader sub-group, will succeed Mr Cannon as group chief executive on January 1. He was appointed to the Croda international board in 1985.

Mr Tom Madden, sales and marketing director at British Car Auctions

Mr Tom Madden has been appointed director responsible for sales and marketing at BRITISH CAR AUCTIONS. Previously he has been responsible for other specialist areas of BCA's business. This new role has been created to establish a comprehensive programme which will provide a better service and back up to existing clients as well as the development of new business.

★

Mr Bent H. Knudsen has been elected chairman of the ESS-FOOD (UK) GROUP, which incorporates ESS-Food Danepak, Danish Bacon Company, Anglo Danish Food Transport, and ESS-Food Fresh Meat. Mr Knudsen is chairman of a Danish slaughterhouse group, Sundby-Wenbo, and vice chairman of ESS-Food—Denmark.

★

Mr Gordon H. Shields has been appointed energy manager for GEORGE WIMPEY. He was a project engineer with Wimpey Engineering. Mr Shields will be responsible for developing energy conservation procedures within the group and for promoting energy consciousness among Wimpey's employees. Mr Edward A. Smith has been appointed commercial director of George Wimpey International. He was a director of Balfour Beatty Power Transmission and of Tarmac Construction International.

★

Mr Gordon Summerfield has been appointed to the newly-created post of production director for ST IVEL to co-ordinate production in eight manufacturing plants. He was managing director of Dale Farm Foods, a division of Northern Foods.

★

Mr Peter J. Edge has been appointed managing director of GODSELL & CO, a member of the Exco International group.

★

Mr James G. W. Reed has been appointed a director and Mr Richard Katz and Mr Steven Webb have been appointed assistant directors of BARING SECURITIES.

★

MECCA SOCIAL CLUBS has appointed two directors to its marketing team, Mr Gareth Jones, sales director, and Mr Peter Howard, product director. Mr Jones joins from Ladbroke Entertainments where he was marketing controller. Mr Howard was area supervisor for North London.

★

WHITECROFT has made the following appointments at the housebuilding companies in the property and building supplies divisions: At George Longden Homes Mr Andrew Newcombe, director and general manager, becomes managing director in succession to Mr Alan Banwell who remains a director, Mr Ken Rowbotham joins the board. Mr Joe Morley, director and general manager of Longden Northwest, becomes managing director. Mr Alan Banwell and Mr Ken Rowbotham become directors of Longdendale Homes. Mr David Valentine becomes managing director of Randalls following the retirement of Mr Bert Cooper. Mr Valentine has been managing director of the Bedford branch for three years.

★

AUSTRALIA AND NEW ZEALAND BANKING GROUP is expanding its asset based finance business in the UK. The group's business in this sector will be controlled by a new company called ANZ Finance, a licensed deposit taker. The company will act both as a holding company for the group's asset based finance subsidiaries as well as being the vehicle by which these activities will be developed and expanded in the future. Mr Roland Isherwood, general manager UK, Australia and New Zealand Banking Group, will be chairman of ANZ Finance. The senior management of the ANZ Finance Group will include: Mr Peter M. Jones, chief executive of ANZ Finance, who will continue as a divisional director of the ANZ Group in London. Mr Colin Gordon, chief executive of ANZ Humberclyde. Mr Mervyn Savage, chief executive of ANZ Industrial Finance. Mr Ian Stewart, general manager, ANZ Commercial Finance and Mr Brian Brennan, general manager, ANZ Leasing.

★

FITZPATRICK LTD is the newly-formed holding company of Fitzpatrick & Son (Contractors), Fitzpatrick Asphalt, and R. J. Adams, a recently acquired established London building company. The directors of the company will be W. R. (Bob) Hare, formerly chairman of French Kier Construction, as chairman, and Mr A. H. (Freddie) Lee as deputy chairman, both non-executive. Mr F. A. (Pat) Fitzpatrick will be managing director.

★

At JAMES FINLAY CORPORATION Mr P. N. Homer has been appointed a director.

★

THE CONSUMERS' ASSOCIATION has appointed Mr John Beishon as the Association's new director. He will be succeeding Peter Goldman who has been director since 1964, in July.

★

TUNSTALL GROUP has appointed Mr Stanley Harris managing director of Tunstall Security and Mr Martin Dowthwaite director of business development with Tunstall Telecom. Mr Harris joins Tunstall Security from FKI Electricals where he was managing director. Mr Dowthwaite joins Tunstall Telecom from Henry Telfer (a Hillsdown Holdings subsidiary) where he was sales and marketing director.

★

NOLTON has appointed Mr Robin Mathias as managing director of Proofed Packings, its packaging materials subsidiary. Mr Mathias has spent the past seven years with the Lin Pac Group.

★

Mr Joe Holland has been appointed general manager of the CO-OPERATIVE WHOLESALE SOCIETY'S food manufacturing group. Mr Holland joined the CWS in 1974 as grocery group accountant and later became accountant for the food division. He was previously finance director of the David Greig grocery chain, prior to its takeover by Key Markets. Mr David Wellens has been appointed to be one of two divisional accountants covering the newly formed production and property sector. His particular area of responsibility will cover four groups: food manufacturing, non-food manufacturing, milk and export and contracts.

★

BET is combining its waste disposal company, Biffa, with Initial Service Cleaners (ISC), to form a new cleaning and waste services division of Initial. The division's board will be chaired by Initial's managing director, Mr Brian Thompson. Other board members include Mr Andy Cooper, director—Initial, chairman of ISC and Brengreen; Mr Eric Harrison, chief executive—ISC; Mr Michael Fetherston-Dilke, Chairman—Biffa; Mr Michael Aldridge, managing director—Biffa; Mr David Evans, director—Brengreen; Mr Ian Stewart, managing director—ICC; Mr Martin Adams, managing director—HAT maintenance; Mr Richard Cowell, financial director—ISC and Mr John Findlater, general manager—ISC.

★

JOHN LAING CONSTRUCTION has made the following appointments: Mr David Bottom, managing director, will now be responsible for all UK building and civil engineering activities. Four assistant managing directors have also been appointed: Mr John M. Allen, Mr Philip K. Rees, Mr Jon Rushton and Mr Michael H. Tredwell, all of whom have been with the group for many years. Mr Oliver Whitehead, joint managing director, will be leaving the group at the end of October to take up another appointment.

★

DOMINO PRINTING SCIENCES has made four executive appointments: Mr Juergen Klingler has been appointed director and general manager of Domino Printing Services Vertriebs GmbH (DPSV), with responsibility for all the company's German activities. Mr Coert Van Ee has moved to Cambridge from DPSV to become divisional director of marketing. Mr Paul Jessop has been appointed divisional director of research and development and Mr Howard Whitesmith has become director of manufacturing.

★

WINDSOR SECURITIES (HOLDINGS) has made the following board appointments: Mr Leo Upton joins the board of Windsor as a non-executive director to advise on strategic planning and development. Mr John Holton is appointed managing director of Lander Eberli Shorter. Mr John Sivell has become managing director of Lander Eberli Shorter (Aviation) which will be the new name of Pitman and Deane (International). Mr Len Millward is made managing director of Lander Eberli Shorter (UK), formerly a division of Lander Eberli Shorter. Mr David Baker is appointed managing director of Brentnall Beard and Co. Subject to shareholders' approval of the purchase of Lyon Jago Webb and Lyon Lohr (Life & Pensions), Mr Patrick O'Connor will be confirmed as chairman and managing director of Lyon Jago Webb and Mr Ulic Alen-Buckley chairman and managing director of Lyon Lohr (Life & Pensions).

★

Mr Peter N. Samuel has been appointed a managing director of FURNESS-HOULDER (REINSURANCE SERVICES).

★

Mr R. J. R. Tyldesley, managing director of The Western Mail and Echo in Cardiff, and Mr A. A. Scott, managing director of Aberdeen Journals, have been appointed to the board of THOMSON REGIONAL NEWSPAPERS, along with Mr J. K. T. Bryers, group personnel director of International Thomson Organisation in Great Britain.

★

Mr Stephen Newell, a director, has been appointed managing director of LEE SPRING, the UK subsidiary of Lee Spring Corp, New York.

UK COMPANY NEWS

Coalite tops up bid for Hargreaves

BY NIKKI TAIT

Coalite, the UK group whose interests range from fuel distribution to sheep farming in the Falklands, yesterday raised its contested bid for Hargreaves Group from £77m to £98m.

The new bid terms — which Coalite says are final unless a counter-bidder or "white knight" intervene — are 565p in cash plus one new ordinary Coalite share for every three Hargreaves held. There is a new cash alternative of 270p.

With Coalite shares 2p weaker at 260p yesterday, that values each Hargreaves at 275p compared with 218p under the previous offer. Hargreaves shares closed 15p higher at 271p.

Shortly after the new offer was announced, Coalite's advisors, Morgan Grenfell, went into the market and are believed to have added at least another 1 per cent to the company's existing 4.46 per cent holding. They are understood to have bought at the cash alternative price of 270p.

Mr Eric Varley, chairman of Coalite, said yesterday that he believed that the new offer was extremely generous, putting Hargreaves on an exit p/e of 18 times its 1985-86 earnings.

That, however, was strongly disputed by Mr Bob Strachen, group managing director of Hargreaves. "The board is reviewing the offer in the light of other options open to it," he said last night. "Shareholders would be extremely ill-advised to take any action before receiving further advice from the board."

Hargreaves has, in the past, said that it was having talks with possible "white knights," with Ocean Trading and Transport believed to be a serious contender.

Yesterday, Mr Menzies-Wilson, chairman of OT&T—which is itself on the receiving end of Brierley's IEP Group — said: a hostile bid from Mr Ron "We did talk to them then — but I have absolutely nothing further to add."

Earlier this week, Redland ruled itself out

See Lex

MAI to sell two money brokers

By Charles Batchelor

MAI, the financial services and advertising group, is selling two of its money-broking businesses in London and New York for £18.9m to a consortium including their managements.

MAI — formerly Mills and Allen International — is disposing of Euro Brokers Harlow of New York and the Eurodollar deposit and capital markets business of Harlow Ueda Savage group (HUS Deposits) of London.

The buying consortium is headed by Mr Donald Marshall, chief executive of Euro Brokers, and Mr Peter Saad, until recently managing director of International City Holdings (formerly Charles Fulton).

Mr Clive Hollick, MAI managing director, said these two businesses had been competing with two other group companies, Garvin Guy Butler and Butler Deposits, which had been acquired in 1982 as part of the Butler money-broking group.

"These have been efficient and profitable businesses but now we wan to concentrate our resources on one global network," he added.

The two companies being sold contributed about 10 per cent of MAI's money-broking profits, or £2.7m, in the year ended June 1986, before taking into account £800,000 of start-up losses from a US mortgage-broking business. They had net assets of £2.8m.

MAI will retain £4.9m worth of liquid capital in these businesses, which means a total of £23.8m of cash will be released by the sale to finance other group developments.

The consortium will pay £6m on completion or within six months.

MAI's shares rose 5p to 280p.

Holmes à Court fails in Morgan tender offer

BY CHARLES BATCHELOR

Bell Resources, part of Mr Robert Holmes à Court's business empire, failed yesterday in its tender offer for an additional 16.5 per cent of Morgan Crucible, the British industrial components group.

The Bell tender for 14.77m additional Morgan shares was accepted by the holders of only 5.9m shares at the maximum tender price of 320p. This takes Bell's holding in Morgan from 13.5 per cent to 19.9 per cent.

Dr Bruce Farmer, Morgan's managing director, said: "They only got one third of what they wanted and to do that they had to pay the maximum price. We are pleased our shareholders stood firm."

Dr Farmer said he had met Mr Holmes à Court in January and July of this year. Mr Holmes had inquired if he would be offered a seat on the board if he bought 20 per cent of the shares and had been told "no."

Morgan's shares were suspended at 315p yesterday in advance of the announcement of the outcome of the tender.

Tender offers permit the bidder to set in advance the number of shares it wants to acquire—up to a maximum of 29.9 per cent—and the maximum price it will pay.

Tender offers are relatively unusual in Britain although they are common in the US and Australia. They have a mixed record of success in the UK since they are usually regarded as a prelude to a full bid.

Bell had said that it did not intend to make a full bid for at least three months unless a recommended offer could be agreed or a rival bidder emerged.

But many shareholders decided to wait and see if a full bid emerged at a higher level rather than take 320 now, analysts said.

Mr Holmes à Court, an acquisitive Australian businessman, already has substantial UK interests in the shape of Associated Communications Corporation, the entertainment and property group, acquired in 1982 and an 8 per cent stake in Standard Chartered Bank.

Morgan has maintained a steady growth in pre-tax profits over the past 3½ years after a dip in its performance in the early 1980s.

Pre-tax profits rose to £18.7m in 1985 from £15.5m the year before on turnover up from £199m to £211m. The build-up of a large Bell stake has, however, made it the subject of takeover speculation in recent months.

See Lex

Maxwell to take control of Stothert

By David Goodhart

MR ROBERT MAXWELL yesterday announced his first move into heavy engineering when he unveiled the rescue of Stothert & Pitt the loss-making Bath-based crane-maker.

At the same time Mr Maxwell revealed that he had acquired another 1.1m shares in McCorquodale taking his total stake to about 10 per cent. McCorquodale is attempting to repel a bid by Norton Opax, which holds about 13 per cent.

Mr Maxwell has agreed that a subsidiary of Pergamon Press, probably Hollis the furniture and timber group, will inject £4m into Stothert in exchange for new ordinary shares representing 77 per cent of the new enlarged share capital.

The proposals have the support of the Stothert board. And the company's banks, Midland, Saudi Bank and Standard Chartered, have agreed to continue to support it on a long-term basis. The Takeover Panel has also agreed to waive the requirement that a full offer should be made for the whole company when a stake of this size is taken.

Stothert employs 800 people in Bath and is the biggest employer in the City outside the public sector. It made a pre-tax loss of £491,000 on turnover of £15.7m in the six months to June 30 1986. It has been hit by the decline of the North Sea oil market for which it made many of its cranes.

Mr Maxwell was approached by Stothert which suggested the deal but he is known to have been interested in developing a larger interest in manufacturing. Hollis was earlier this month split into separate companies — Hollis Financial and Professional Services and Hollis Industrials — and the latter is expected to form the base of Mr Maxwell's manufacturing ambitions.

Mr Maxwell would make no comment on his intentions in the McCorquodale-Norton Opax battle which ends next Wednesday. McCorquodale yesterday forcefully refuted allegations about its "real" growth made in the latest Norton Opax circular. The Takeover Panel is considering its complaints against the document.

OT & T holders shun IEP

BY TERRY POVEY

The board of IEP (UK), one of Mr Ron Brierley's investment vehicles, yesterday announced that it had received acceptances for 10 per cent of Ocean Transport & Trading's shares in response to its offer valuing the shipping, fuel distribution and freight forwarding group at £258m.

Prior to the 225p a share bid, another of Mr Brierley's companies owned 11.25m shares in OT & T. In addition, acceptances have been received from holders of 273,533 shares, about a quarter of 1 per cent of OT & T's issued equity.

Responding to the acceptances yesterday Mr Brierley said, "Ocean has still to publish any significant new information. As a major shareholder we remain concerned about the future earnings potential of Ocean and note in particular that it has made no forecast of profits for the current year and has made no statement on the value of its assets."

IEP repeated that it considered the bid a "very full price" in OT & T and has extended the offer until 3 pm on November 7. It has until November 23 to revise the terms of its offer.

Mr Bill Menzies-Wilson, OT&T's chairman, said last night "Despite this very low level of acceptance IEP (UK) is still suggesting that the offer represents a very full price for your company. Such a claim is clearly absurd given the overwhelming rejection of IEP (UK)'s offer."

Since Mr Brierley made his bid for the 90.2 per cent of OT&T that he did not already own, the target company's share price has stayed over the offer level. Last night OT&T's shares closed up 2p at 235p.

*Oil independent Ultramar yesterday announced details of its recent offer to pay the interim dividend in cash or shares. Holders of 21 per cent of the company's equity elected to accept new shares—among them Mr Brierley who is believed to have received some 500,000 Ultramar shares in lieu of dividends. Last week it was announced that the New Zealander had sold 600,000 shares in what was considered an overheated market. Rainbow Corporation, with just under 5 per cent of Ultramar, is believed to have accepted cash.

Watson & Philip £7m expansion

BY DAVID GOODHART

Watson & Philip, the Dundee-based food group, has expanded its cash and carry division with the acquisition of J. W. Smalley for £6.8m in shares and cash. But this will be cut to just under £4m after taking into account the sale for £2.69m of Smalley's investment properties and a further £767,000 from an earlier property sale.

The Smalley cash and carry is at Somercotes in Derbyshire. In the year to September 28 1985 turnover was £27.7m and profit before interest and taxation £484,000.

The purchase is part of Watson's declared aim of expanding its cash and carry interests which is already its single largest division. It operates seven cash and carries in Scotland and one at Morpeth. The company said the Smalley acquisition would provide a profitable base for further expansion in England.

Watson—which in the year to the end of October 1985 made pre-tax profits of £1.12m on turnover of £115m—is paying £2.5m cash and issuing 2.8m new shares to raise £4m. The new shares represent a 30 per cent expansion to its share capital.

Hunting moves up 37%

INCREASED ACTIVITY on defence production by its engineering interests was largely responsible for the overall improved performance by Hunting Associated Industries, the aviation and engineering group, in the half year ended June 30 1986. Pre-tax profits rose by 37.3 per cent from £2.93m in the equivalent period last year to £4.02m on turnover that climbed to £147.8m (£107.6m).

The directors said that the growth in profits in the first half continue the trend seen in 1985 and they anticipated a second half increase over the corresponding period last year.

The group's activities in the precision component business produced worthwhile profits but the directors said that a much reduced Middle East market resulted in only a small contribution from the composites business.

Hunting's aviation companies performed satisfactorily, but the resource survey business showed losses because of reduced activity, partly attributable to lower oil prices.

Hunting's reorganisation of its South African business resulted in an extraordinary loss of £275,000 but its activities in Canada have produced improved profits due to higher activity levels and success in aircraft sales.

After tax of £1.45m (£1.1m), basic earnings per 25p ordinary share worked through at 15.3p (9.5p).

The interim dividend is up from 3.5p to 4p.

BISICHI TIN, the London-based property rental and investment company reported a 75 per cent jump to £70,000 in pre-tax profits for the half-year ended June 30, on turnover up 8 per cent at £136,000, and forecast a "satisfactory" outcome for the full year.

The accounts include a "best estimate" of tax for the period which was shown at £21,000 (£13,000), and £6,000 written off the company's Nigerian interests. The interim dividend is again omitted. Last year the company paid a final dividend of 0.65p.

Hugin gets to grips with Sweda purchase

INCLUDING the Sweda business, sales of *Hugin Group*, the electronic point of sale systems company, rose from £14.67m to £64.45m and profits before tax from £375,000 to £1.89m in the first half of 1986.

There was considerable cost savings achieved by the rationalisation and integration of Sweda, which was acquired from Litton Industries Inc in June 1985. At that time, Sweda was recording a £10m loss on the previous six months' trading, but that was thought to have been turned into a profit of nearly £2m this time.

However, the increased value of the yen against the US dollar and sterling had a significant adverse effect on the cost of sales, which rose from £8.16m to £40.93m, and depressed trading profits below their potential.

Downiebrae falls

Pre-tax profits of Downiebrae, metal merchant and maker of steel profiles, fell from £115,000 to £97,000 in the six months ended June 30 1986. A drop in activity was experienced in the second quarter and indications were that the difficult conditions continued.

It was thought wise to investigate other areas for growth and efforts were being made to increase available financial resources and to expand mangement expertise.

Turnover in the first half was £1.21m (£1.48m) and the trading profit £121,000 (£144,000). Depreciation took £24,000 (£20,000), interest was nil (£9,000), tax took £14,000 (nil) and there was an extraordinary credit of £21,000 (nil).

The interim dividend was maintained at 0.5p and earnings per 10p share were 1.16p (1.61p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
J. Billam ....int	1.56	—	1.4	—	3.53
Brewmaker ....int	‡0.3	Dec 5	0.3	—	0.8
City of Oxford ......int	3	—	2.5	—	8
Cowells ....int	‡1	Dec 16	—	—	1.5
Downiebrae ....int	0.5	Dec 5	0.5	—	1.5
Fleming Japan	**3.5	Dec 23	3.5	4	4
GR Holdings	5.4	Dec 18	5.4	7	7
Highland Electronics	1.5	Nov 24	1.5	2.5	2.5
Hunting Assoc Inds int	4	Dec 12	3.5	—	8
John Kent	†‡‖1.25	Dec 16	1.08	1.75	1.5
Lon Atlantic ....int	2.1	Dec 12	1.95	—	6.7
Nu-Swift Inds ......int	1.75	—	1.25	—	3.5
Portland Holdings	¶7.04	Dec 2	nil	9.04	nil
River Mere Grd 2ndint	1	—	—	—	—
Sangers Photo ......int	‡†0.8	Jan 2	0.75	—	2.2
Scottish Mortgage ...int	3.5	—	3.2	—	8.5
Smaller Companies int	††nil	—	0.5	—	1.4

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Zimbabwe cents. ‖ For 61 weeks. ** For 14 months. †† Earnings will be paid out in one dividend for year.

lyonnaise des eaux

The Board of Directors of Lyonnaise des Eaux, which met on October 1, examined the results of the Company and of the Group, as shown hereunder:

	Company 30.6.85 FF(m)	Company 30.6.86 FF(m)	Company Change %	Group 30.6.85 FF(m)	Group 30.6.86 FF(m)	Group Change %
Turnover	1,488	1,594	+ 7.1	6,531	7,335	+12.3
Current result	114	141	+23	396	510	+28.8
Net result	54.6	69.3	+27	177	255	+44
Net result (Group share)				114.4	172	+50

Activities of the first half-year results, with a 7% increase for the company, have been satisfactory. The more important growth of the consolidated turnover is mainly due to changes of perimetres.

Thanks to the strong increase of the financial products and to the improvement of the climatic conditions, current results are 23% higher for the Company and 29% for the Group. Net results for the Company reached FF 69.3m (against FF 54.6m), a 27% increase. Concerning the consolidated results, which amount to MF 172 for the Group's share (against FF 114.4m), its 50% increase rate cannot be applied against the full year.

The year's estimated results, previously announced, remain unchanged. The Company expects the consolidated and social results to show a substantial increase. Taking into account the 26% increase of the number of shares which took place during the first quarter of 1986, this would allow a moderate growth of results per share.

GRANVILLE

Granville & Co. Limited
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Member of Fimbra

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord. ...	133	—	7.3	5.5	8.1	7.8
151	121	Ass. Brit. Ind CULS ...	130	—	10.0	7.7	—	—
126	43	Airsprung Group	98	—	7.6	7.9	6.0	5.4
46	28	Armitage & Rhodes ...	37xd	—	4.2	11.4	5.2	4.7
195	108	Bardon Hill	195	—	4.6	2.4	22.2	20.3
82	42	Bray Technologies	82	+1	4.3	5.2	9.7	8.9
201	75	CCL Ordinary	96	+1	2.9	3.1	6.7	10.6
182	86	CCL 11pc Conv. Pf. ...	89	—	15.7	17.6	—	—
263	80	Carborundum Ord. ...	263	—	9.1	3.6	12.2	12.6
94	83	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
144	46	Deborah Services	144	—	7.0	4.9	16.0	19.7
32	20	Frederick Parker Group	23	—	—	—	—	—
125	60	George Blair	102	—3	3.8	3.7	2.8	3.7
92	20	Ind. Precision Castings	92	+1	3.0	3.3	24.3	20.3
218	182	Isis Group	152xd	—	18.3	12.0	8.7	6.8
128	101	Jackson Group	128	+1	6.1	4.8	8.7	7.8
377	228	James Burrough	370	—	17.0	4.6	10.4	9.5
108	85	James Burrough 9pcPf.	82	—	12.8	14.0	—	—
1,035	342	Multihouse N.V.	830	+10	—	—	43.6	66.7
380	280	Record Ridgway Ord....	379	—	—	—	6.8	11.7
100	87	Record Ridgway 10pcPf	87	—	14.1	16.2	—	—
86	32	Robert Jenkins	38	—	—	—	3.9	5.5
38	28	Scruttons 'A'	38	—	—	—	—	—
125	86	Torday & Carlisle	125xd	—	5.7	4.6	7.6	7.7
370	320	Trevian Holdings	322	—	7.9	2.5	6.7	8.8
70	25	Unilock Holdings	69	—	2.8	4.1	12.7	11.9
102	47	Walter Alexander	97xd	+1	5.0	5.1	9.3	8.9
226	190	W. S. Yeates	197	—	17.4	8.8	15.7	21.9

French merger lifts Nu-Swift profits to £6m

BY ALICE RAWSTHORN

Nu-Swift Industries, the fire protection group, yesterday reported that pre-tax profits had more than doubled to £6.03m in the first half of the year chiefly as a result of the merger, at the beginning of the year, between its French subsidiary and Compagnie Centrale Sicli.

In early January, Nu-Swift completed the *acquisition of* Sicli, one of the largest French manufacturers of fire protection equipment. Sicli's turnover, at £70m a year, was almost double that of Nu-Swift, but the company had barely broken even *for several* years.

Once the acquisition was completed, Nu-Swift transferred the production of its French subsidiary, Generale Incendie Protection et Securité, to Sicli's manufacturing plant—one of the largest and most modern in Europe.

The company is now in the throes of transferring production at its UK production plant to Sicli. This transfer should be completed by the end of the current year.

Although Nu-Swift secured an increase in sales from its UK base in the first half, most of its growth was catalysed by the merger. Turnover rose to £57.17m (£15.37m) and pre-tax profits to £6.03m (£2.78m). The cost of reorganisation and restructuring has been charged as an extraordinary item of £2.11m.

With the acquisition of Sicli, Nu-Swift inherited its tax losses. As a result, the company's tax change was reduced to 28 per cent, or £1.68m (£1.28m) in the first half, and Nu-Swift will continue to benefit from the tax losses until late 1987. Earnings per share almost trebled to 9.43p (3.43p). The dividend will rise more modestly to 1.75p (1.25p).

Nu-Swift is now reviewing its operations and deciding whether or not to retain Sicli's international "satellite" companies. The company has already *disposed of its* Australian subsidiary, Nu-Swift Australia, where sales have been "unsatisfactory" for the past two years.

● comment

When Nu-Swift *first* acquired Sicli gearing rose so dramatically that it looked as if it had bitten off more than it could chew. This set of interims should reassure the sceptics. Even on a dull day *the City loves a recovery tale* and the shares rose by 13p to 186p. It is impossible to tell just how much of the profits growth came from Sicli but Nu-Swift seems to have succeeded in turning it round far faster than anyone could have expected. By buying Sicli Nu-Swift not only secured a healthy chunk of the European fire protection market but a spanking new production plant which, even after housing its existing UK and French production, will still have 20 per cent spare capacity. Given that the European fire protection market is not only mature, but intensely competitive, the Sicli plant offers scope for crucial economies of scale. The City expects profits of £13m for the full year producing an undemanding prospective p/e of 9 assuming 30 per cent taxation.

Queensway pays £9m for control of Harveys

By Mike Smith

Harris Queensway, the home furnishings stores group, has bought a 75 per cent stake in fellow retailer Harveys Furnishings for £9.5m in cash.

It has also taken an option to acquire the remaining 25 per cent from Mr Harvey Gilbert, the managing director who, together with members of his family, formerly owned the whole company. The price will be based on Harvey's future profits and is expected to be more than £2.5m.

Harveys sells curtains, household linens and soft furnishings from 33 stores in the south-east of England. It also makes soft furnishings to contract.

Pre-tax profits were £550,000 on sales of £20m in the year to May 3. Net assets at year-end were £2.28m.

Harvey will continue to operate from its Barking headquarters as an independent unit and will come under the parent company's Queensway division.

Other Harris Queensway purchases this year have included Hamleys, the toy group bought for £30m from Burton, and Times Furnishing and Home Charm, the two retail stores bought from Great Universal Stores for the equivalent of £146m in shares.

Elswick reorganises and calls for £4m as losses increase

BY RICHARD TOMKINS

Elswick, cycle and lawnmower manufacturer, yesterday reported an increase in pre-tax losses from £194,000 to £352,000 for the half year to end July 1986 and set out a series of measures aimed at engineering the group's recovery.

Seward, its loss-making agricultural machinery distribution business, is to be sold to its management for £2.4m, and Macleans Printed Packaging, a profitable supplier of flexible decorative packaging, is to be bought for £2.8m.

A rights issue is proposed to raise £4.05m net, and there will be a capital reconstruction to facilitate the resumption of dividend payments.

The effect will be to wipe out net debt by the end of the current year and put the group in a position where it could report its first pre-tax profit since 1981.

Elswick said the Seward companies were being sold because the depressed state of the British agricultural machinery market meant they were not producing adequate returns. Of the proceeds £126,316 is in respect of the share capital and £2.3m is the repayment of intra-company debt.

The Ryehill farm service company made strong progress during the year and is to be retained.

The engineering division made satisfactory progress in the US, but in the UK its progress was hindered by the downturn in the agricultural machinery market, to which it is a supplier.

The cycles division, manufacturing under the Falcon brand, made headway, in spite of an unfavourable market, and improved margins.

On continuing activities, turnover rose from £7.8m to £8.4m and the operating profit rose from £76,000 to £112,000. After an increase in the interest charge from £233,000 to £248,000, the pre-tax loss on continuing activities fell from £157,000 to £136,000.

The rights issue, underwritten by Brown Shipley, is of 35.2m ordinary shares at 13p a share at the rate of five for every eight existing ordinaries and 45 for every four preference shares. Elswick closed ½p down at 15p yesterday.

Macleans makes printed aluminium wrappers for sweets, foods and other products. In the year to last March it made profits before tax and exceptional items of £388,000 on turnover of £2.4m. Net assets include cash of £1.4m.

Baker Harris oversubscribed

THE ISSUE price of Baker Harris Saunders, the City commercial estate agent being floated through an offer for sale by tender, has been struck at 170p compared with a minimum tender price of 150p.

The offer was 4.4 times subscribed at or above the striking price, with 2,270 applications for 11m shares chasing the 2.5m shares on offer. Applicants tendering below the striking price will receive no shares at all.

Preferential applications from employees for 85,647 shares will be met in full. Other applicants for between 400 and 1,000 shares will receive 200 and applicants for 1,500 and above will receive about 20.6 per cent of the number applied for.

Renounceable letters of acceptance go out next Tuesday and dealings are due to begin next Wednesday.

● The offer for sale of shares in Mecca, the entertainments group, closed yesterday and is thought to have been subscribed several times. Details will be announced today.

Cowells picking up in second half

AFTER A static first half, trading at Cowells has improved with increasing demand for all products—security and financial printing, colour printing and books, and bingo ticket manufacture.

The directors felt it was too early to give a firm indication of the year's outcome but said the longer term outlook was very encouraging.

A number of major projects under discussion or development would give additional impetus, they said. The projects had taken up considerable time but should prove well worthwhile.

The company, whose shares were placed on the USM at 88p each just over a year ago, returned a turnover of £4.15m in the first half of 1986, compared with £3.9m, and a pre-tax profit of £293,000 against £290,000. After tax £114,000 (£111,000) earnings were unchanged at 2.4p per share.

For the year 1985 the company made £826,000 pre-tax and paid a single dividend of 1.5p. In the current term it is initiating interims and has declared 1p.

The directors said order books for security products and financial printing continued to do well, *but a number of* security customers ordered for the year and the call-off rate had been lower than in 1985. This should be made up in the second *half*.

Colour printing and books started with an excellent order book, but activity was lower than initially indicated because of delays through production dates being pushed back. This followed the lower demand experienced last Christmas by most publishers in the UK, but the situation had improved.

The activity in bingo tickets reached anticipated levels and *this side was well placed* to increase its market share.

The directors said they had received a substantial offer, acceptable to them, for the company's Ipswich town centre site. They hope to make a formal announcement within the next 28 days.

AGB RESEARCH shareholders were told at the annual meeting that progress was being made in the current trading year, and it was particularly strong in the UK. Resolute action had been taken and progress had been achieved in dealing with those areas of the business which had performed below expectations last year.

PETER BLACK Holdings has bought the assets of Pava, Dorset toiletry manufacturer for £800,000 cash

SINGAPORE PARA Rubber Estates returned pre-tax profits of £47,414 (£130,747) in half year to June 30 1986 from turnover of £285,675 (£403,888). Earnings 0.29p (0.88p) per 5p unit. Crops of rubber and palm oil improved but palm oil prices fell sharply. Rubber prices were *depressed*, but have since improved markedly.

Acquisition helps double Sangers

STRONG GROWTH was experienced by Sangers Photographics in the half year ended August 31 1986, with turnover up from £11.14m to £13.55m and profit before tax doubled, from £312,000 to £631,000.

The results reflected a significant contribution from traditional consumer photographic business, and the inclusion of the newly acquired subsidiary, Stanmore Video Sales.

That company was purchased in June for £2.75m in shares, and provided Sangers with entry into the broadcast and professional video business.

Mr Frank Hatton, chairman, said the second half started strongly for both divisions, and acquisition opportunities were being sought in complementary areas which would offer scope for sustained and above-average growth.

Sangers is quoted on the USM and anticipated seeking transition to a full listing next year.

Cash flow was strong and continued to improve, Mr Hatton said. This enabled both divisions to purchase stock at advantageous prices, but resulted in last year's interest credit of £23,000 becoming a *nominal charge of £1,000*.

After tax £221,000 (£127,000) the half year's net profit worked out at £410,000 (£185,000) for earnings of 3.22p (1.85p). The interim dividend is lifted to 0.8p (0.75p) net.

This time there was also an extraordinary charge of £76,000.

MARLING INDUSTRIES has acquired the goodwill and trading assets of George H. Wheatcroft, a manufacturer of narrow fabrics. Consideration will be settled by the issue by Marling of 606,000 ordinary shares, of which 550,000 have been placed on behalf of the vendor, plus a small further payment in cash, to be determined by a stock valuation as at October 3, 1986.

ADDISON CONSULTANCY Group's offer for Aldcom International has received acceptances in respect of 14.95m Aldcom shares (62.74 per cent). Addison now holds or has *acceptances for 14.96m shares* (62.8 per cent) and has declared the offer unconditional as to acceptances. It will remain open until further notice.

MILLWARD BROWN has agreed to acquire Ad Factors, US market research agency. Consideration will be an initial $1.93m (£1.34m) with further target-related payments to a maximum of $4.73m. The initial payment will be satisfied by the issue of 850,000 shares with subsequent payments in cash. A further 50,000 shares are being issued to cover part of the costs of acquisition.

Lady Joseph cuts Norfolk stake

LADY JOSEPH, widow of Sir Maxwell Joseph, and a director of Norfolk Capital Group, has reduced her holding in the hotel chain from 22.1 per cent to 11.85 per cent following a one-for-one rights issue.

Lady Joseph sold 23.75m of her rights shares in nil-paid form, raising sufficient funds to pay for the take-up of the balance. Prior to the rights issue Lady Joseph held 25.6m shares. She will now hold 27.48m shares.

Lady Joseph stepped down from the chair at Norfolk Capital in June and her place was taken by Mr Tony Richmond-Watson. Yesterday, he said that it was "quite a lot of money for an individual to put up—but Lady Joseph is still *fully committed to and* involved with the group."

Osprey in reverse bid

BY ALICE RAWSTHORN

F. John French, the advertising agency, has secured conditional agreement to mount a reverse takeover of the publicly quoted advertising agency, Osprey Communications.

Under the agreement Osprey will acquire F. John French for shares leaving the latter agency with a 40 per cent stake in the merged group. Osprey will release 2.3m new ordinary shares for F. John French, thereby increasing its issued equity capital from £875,000 to £1.45m.

The proposals for the merger will be presented to shareholders for approval. Once the merger is completed, probably in early November, Mr John French, chairman and chief executive of F. John French, will assume the same roles in the merger group and Osprey's chairman, Mr Dennis Murphy, will become deputy chairman.

Osprey, which operates two advertising agencies in Northern Ireland with clients such as the Belfast International Airport and Stewarts superstores, joined the stock market two years ago and has since produced lacklustre results.

F. John French has been scouting about for a reverse takeover candidate, as a means of securing a public *quotation*, for the last year or so. It produced pre-tax profits of £190,000 on turnover of £7m in its last financial year to May and was cited as the 116th largest agency

When the merger is completed Mr French intends to expand through the acquisition of other advertising agencies and of companies in related areas of marketing.

Mr T. S. Jamieson sold 700,000 shares in Osprey yesterday at 60p a share, compared with the market price of 63p. He now holds less than five per cent of the company.

NOTICE OF REDEMPTION

To the Holders of

WESTPAC BANKING CORPORATION

12¾% Subordinated Bonds due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated January 31, 1985, $1,000,000 principal amount of the above described Bonds has been selected for redemption on November 17, 1986 at a redemption price of 101% of the principal amount thereof, together with accrued interest to said date, as follows:

BONDS OF U.S. $5,000 EACH

9	1545	2998	4127	5536	6669	8496	9636	10769	12368	13293	15022	16226	17801	19128	19851
92	1549	3003	4431	5706	6829	8574	9702	10849	12396	13333	15037	16448	17814	19147	19864
106	1730	3205	4433	5734	6908	8741	9721	10964	12480	13415	15129	16463	17825	19291	19868
480	1850	3314	4449	5866	7428	8814	10097	11052	12625	13475	15259	16564	17870	19496	19933
501	1963	3326	4565	5921	7536	8880	10104	11225	12678	13776	15452	16577	18167	19505	19998
513	1997	3341	4607	5929	7706	8904	10167	11249	12868	13802	15536	16608	18169	19639	
545	2089	3516	4814	6068	7721	9147	10269	11301	12811	13829	15723	16615	18182	19637	
668	2205	3684	5004	6149	7790	9204	10339	11346	12902	14148	15788	16696	18552	19651	
736	2341	3749	5041	6184	7870	9231	10526	11614	12968	14347	15905	17225	18775	19704	
945	2351	3833	5088	6330	8045	9299	10426	11681	13067	14464	15927	17259	18805	19739	
964	2450	3977	5134	6495	8170	9496	10503	12006	13095	14752	16074	17429	18841	19777	
1004	2628	4006	5172	6584	8280	9584	10589	12216	13168	14814	16189	17461	19041	19816	
1237	2963	4095	5507	6651	8337	9628	10705	12330	13282	14897	16193	17539	19091	19824	

On November 17, 1986, the Bonds designated above will become due and payable as aforesaid in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. The said Bonds will be paid, upon presentation and surrender thereof with coupons due January 31, 1987 and subsequent attached, at the option of the holders subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main) or London, or Kredietbank S.A. Luxembourgeoise in Luxembourg, or Swiss Bank Corporation in Basle. Payments at the offices referred to above will be made by a check drawn on, or by a transfer to, a United States dollar account maintained by the payee with a bank in New York City. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if payees who are not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

On and after November 17, 1986 interest shall cease to accrue on the Bonds herein designated for redemption.

WESTPAC BANKING CORPORATION

Dated: October 17, 1986

UK COMPANY NEWS

Loss at Micro Focus reduced by over £2m

BY PHILIP COGGAN

REDUCED SALES to Japan and to original equipment manufacturers (OEMs) meant that Micro Focus Group, the computer software company, reported an interim pre-tax loss of £482,000 in the six months to July 31.

A programme of cost cutting and the absence of any bad debt provision this year has, however, made these results a significant improvement on last year's £2.81m interim pre-tax loss.

After last year's poor results, Micro Focus pursued a strategy of improving cash flow.

In the first half a cash surplus of £700,000 helped to reduce the group's net borrowings to £2.6m (£4.8m at last year's interim) and overdrafts were replaced with term loans improving the group's net current asset position.

Because of the problems experienced by many computer hardware manufacturers, Micro Focus stepped up sales to end users and the latter represented 68 per cent of revenues, compared with 46 per cent.

Sales in Japan had previously been almost entirely to OEMs and the current retrenchment in the computer industry cut Japanese revenues from 21 per cent to 10 per cent of the total.

Net revenues were stagnant at £5.65m (£5.68m) but after operating costs of £4.85m (£5.61m) and development costs of £1.46m (£1.84m), the operating loss was cut to £652,000 (£1.78m). There was an exceptional gain on the disposal of leasehold premises of £166,000.

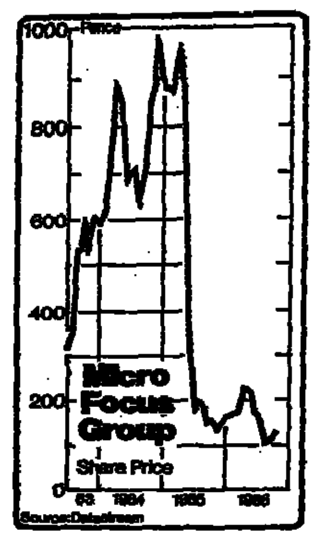
After a tax credit of £12,000 (£218,000) and minority interests of £28,000 (£59,000), the loss attributable to shareholders was £498,000 (£2.66m).

Exchange rate movements reduced reserves by £369,000.

The interim dividend has been passed for the second year running.

● comment

When Micro Focus updates its products, it describes the process as providing "latest functionality" and with this kind of language on show, it is not surprising that the group's accounts are minefields for the unwary. Software development costs are capitalised and then amortised: revenues are deferred and the £11m of shareholders funds are bolstered by £6.2m of software product assets. What can just be seen through the fog is that Micro Focus is on the right track—costs have been cut, salesmen have been put on incentives, end users have been pursued—and the improved cash position is the result. But IBM's recent comments should induce caution in those prophesying a quick recovery in the computer market. Hence any kind of profit from Micro Focus would be welcome at the full year stage. However well regarded the company's products are, investors can afford to wait before seizing upon the shares, 125p, up 5p, as a recovery stock.



TDS share price drops 23p on losses

By Mike Smith

Shares in TDS Circuits fell 23p to 128p yesterday after the company announced pre-tax losses of £546,000 in the half-year to August 31, against a profit of £484,000 in the corresponding period last year.

The problems caused by the fall in demand for the company's products, mainly printed circuit boards, were compounded by a fire last March in one of Circuit's two factories. This meant many orders and contracts could not be honoured.

Mr Tony Cann, chairman, said that return to pre-fire capacity was taking longer than expected because of delays in the delivery of equipment.

The company was, however, successfully concentrating on higher technology areas. This produced better results than those for the second half of last year when an £825,000 loss was recorded. The current six months should show further improvement.

The board did not declare a dividend.

In the six months to August 31, Circuits made sales of £3.56m (against last time's £5.2m). Operating losses of £339,000 (£562,000 profits) were struck after receipt from the company's insurance company of £870,000 to compensate for sales losses caused by the fire.

Interest payments rose to £207,000 (£158,000. but losses after tax were lessened by a tax credit of £190,000 (debit £157,000).

The loss per share of 5.09p (earnings of 3.5p) was also helped by an extraordinary credit of £124,000. This represented insurance money received in excess of the book value of equipment destroyed in the fire.

BOARD MEETINGS

TODAY

Interims: Arlington Securities, British Dredging, Comprehensive Financial Services, Davies and Newman, Govett Oriental Investment Trust, Jove Rubber Plantations, Lee Cooper, J. O. Walker, Oy Wartsila.

Finals: Sea Bailey Construction, Christy Hunt, Global, North Sea Assets, Scottish Metropolitan Property.

FUTURE DATES

Interims:

Anchor Chemical	Oct 23
Fab International	Oct 22
Ferguson Industrial	Oct 23
GT Management	Nov 4
Lees (John J.)	Oct 20
Regalian Properties	Nov 6

Finals:

Low (William)	Oct 28

Tranwood counts the cost

Tranwood Group, which earlier this year lost a 12-week battle to takeover Aitken Hume International for £88m, revealed yesterday that costs associated with the bid totalling £248,000 had been taken below the line in the first half figures.

There was also an unrealised loss on 560,000 Aitken Hume shares amounting to £100,000.

For the half year to end-July 1986 Tranwood's turnover increased from £2.74m to £3.06m but at the pre-tax level profits slipped from £48,700 to £42,400, after taking account of a £25,000 payment to a former chairman and a £34,100 drop in interest charges to £17,500. Last time's figures included an insurance recovery and salvage credit of £41,600.

Tranwood is a Shell company headed by Mr Nick Oppenheim.

G.R. profits fall

Following the midway fall from £1.19m to £743,000, G.R. (Holdings), manufacturer of sheepskins and furs, finished the June 30 1986 year down from £2.92m to £1.24m pre-tax. Turnover also fell, from £28.3m to £22.26m.

After tax, £896,359 (£888,069) earnings per share were 19.9p (30.1p) while the dividend is maintained at 7p with an unchanged 5.4p final.

Highland Electronics

Highland Electronics Group, the electrical components manufacturer, reported unchanged pre-tax profits of £1.06m in the year ended April 30, 1986. Group turnover increased from £11.94m to £12.96m.

The directors said early results for 1986-87 were justifying moves made in the year just ended and added that they expected increases in profits.

An unchanged final dividend of 1.5p has been recommended, making a total of 2.5p (2.5p).

THE STOCK EXCHANGE has corrected its notification of the Eglinton/Osceola merger terms announced on Tuesday. Eglinton is offering 22 of its own shares for every 20 Osceola—not for every 30 as previously reported.

FLEMING JAPANESE Investment Trust reported net revenue for the 14 months to September 30 1986 of £766,919, against £630,599 for the previous 12 months. Earnings per share came out at 4.99p (4.1p) and the total payment is being maintained at 4p with a recommended unchanged final of 3.5p. A four-for-one scrip issue is also proposed.

John Kent improves to £1m

John Kent, the expansion-minded menswear retailer, made satisfactory progress over the 61 weeks to July 26 despite poor trading conditions during the spring and summer and a downturn of tourism in the West End.

For the period the group had a turnover of £17.22m and profits before tax of £1.1m. The figures compared with £12.37m and £870,000 respectively for the preceding 52 weeks.

The directors changed the year-end from May to July to facilitate the integration of Acumen and David Cedar during the latter part of the year.

Earnings emerged 1.37p ahead at 6.38p and a final dividend of 1.25p, as forecast in March at the time of the £1.4m rights issue, raises the net total from 1.5p to 1.75p net per 5p share.

A new division, aimed at the "affluent" City trade, had been developed consisting of seven shops under the Acumen banner. The directors said the group entered the current year with a stronger and broader trading base.

John Kent's shares are traded on the USM.

GEORGE COHEN Machinery, a subsidiary of the 600 Group, has sold its hire division to Herbert Pool of Fleet, a generating set company.

MINTY, furniture manufacturer, raised turnover to £1.7m (£1.39m) and reduced losses to £108,825 (£157,244) pre-tax in 27 weeks to August 2 1986. Loss per share 27p (39p). Comparatives covered 26 weeks.

Demand still low at Brewmaker

WITH DEMAND remaining depressed, aggravated by the poor summer, the profit of Brewmaker for the half year ended July 31, 1986, fell from £175,000 to £68,000.

For the full year the profit would be substantially lower than the £519,000 pre-tax earned for 1984-85, the directors warned, but they are holding the interim dividend at 0.3p net.

They did, however, express their confidence in the company's longer term prospects.

They were in the process of identifying and developing various acquisition opportunities of complementary products and activities, which would broaden the company's base.

Turnover in the half year fell from £3.43m to £3.28m, the market for homebrew, wine and soft drink concentrates staying depressed

J. BILLAM, the Sheffield-based precision sheet metal engineering group, boosted pre-tax profits for the six months to June 30 by 12.5 per cent to £145,875 on turnover marginally higher at £1.17m (£1.18m). The interim dividend is increased to 1.562p (1.4p) on earnings per share of 6.39p (6.78p). The tax charge rose to £50,000 (£28,000).

Johannesburg Consolidated Investments Group

(All companies mentioned are incorporated in the Republic of South Africa)

Gold mining companies' reports for the quarter ended 30 September 1986 with comparative figures for the previous quarter

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Registration Number 01/00251/06
Issued capital: R12 227 106
(Divided into 6 113 553 shares of R2 each)

OPERATING RESULTS (Unaudited)	Quarter ended 30.09.86	30.06.86
Gold		
Ore milled—tons	1 656 000	1 592 000
Yield—grams per ton	4,0	4,4
Kilograms produced	6 624	7 005
Revenue—per ton milled	R120,75	R99,58
Working cost—per ton milled	R54,50	R52,50
Profit—per ton milled	R66,29	R47,06
Uranium		
Tons treated	795 000	822 000
Yield—kilograms per ton	0,17	0,18
Kilograms produced	136 052	147 162

FINANCIAL RESULTS (R000) (Unaudited)	30.09.86	30.06.86
Revenue from gold	200 034	158 538
Working costs	90 248	83 588
Profit from gold	109 786	74 950
Profit from uranium	8 434	154
Net sundry revenue	2 814	1 176
Profit before tax and State's share	121 034	76 280
Tax and State's share	34 804	10
Profit after tax and State's share	86 230	76 270
Capital expenditure	53 452	61 660
Dividends declared	—	61 135

Notes:
1. Gold price received: Rand per kg: 30 173 (30.09.86); 22 462 (30.06.86)
2. Tax for the year to date has been calculated on the basis of the actual results to date and an estimate for the remainder of the current financial year.

DEVELOPMENT — Metres advanced	Quarter ended 30.09.86	30.06.86
Cooke No. 1 Shaft	3 251	4 273
Cooke No. 2 Shaft	1 889	2 363
Cooke No. 3 Shaft	1 555	1 940
Total metres	6 695	8 576

The rate of development has decreased owing to the introduction of mechanised mining.

SAMPLING RESULTS

The values shown in the following tabulations are the actual results of sampling reef development. No allowance has been made for any adjustments which may be necessary when computing ore reserves.

	Quarter ended 30.09.86 — Shafts				Quarter ended 30.06.86 — Shafts			
	No. 1	No. 2	No. 3	Total	No. 1	No. 2	No. 3	Total
UE1a REEF								
Sampled—m	315	312	298	925	477	309	213	999
Channel width—cm	164	272	184	208	199	296	188	227
Average value:								
Gold—g/t	2,7	2,1	3,5	2,7	2,3	1,9	3,9	2,5
—cm-g/t	443	571	644	562	457	562	733	568
Uranium—kg/t	0,12	0,28	0,39	0,26	0,09	0,23	0,32	0,18
—cm-kg/t	19,68	76,16	71,76	54,08	17,91	68,08	60,16	40,86
E8 REEF								
Sampled—m	114	21	—	135	327	15	—	342
Channel width—cm	160	267	—	177	94	353	—	105
Average value:								
Gold—g/t	3,1	2,0	—	2,9	6,5	3,1	—	6,4
—cm-g/t	496	534	—	513	611	1 094	—	672
Uranium—kg/t	0,08	0,29	—	0,11	0,16	0,19	—	0,10
—cm-kg/t	12,80	77,43	—	19,47	9,40	67,07	—	10,50
E9Gb REEF								
Sampled—m	24	—	—	24	—	—	—	—
Channel width—cm	179	—	—	179	—	—	—	—
Average value:								
Gold—g/t	1,8	—	—	1,8	—	—	—	—
—cm-g/t	322	—	—	322	—	—	—	—
Uranium—kg/t	0,13	—	—	0,13	—	—	—	—
—cm-kg/t	23,27	—	—	23,27	—	—	—	—

Note: Development on the E9Gb reef forms part of the exploration programme.

	Quarter ended 30.09.86 — Shafts				Quarter ended 30.06.86 — Shafts			
	No. 1	No. 2	No. 3	Total	No. 1	No. 2	No. 3	Total
Mechanised mining (All reefs including Kimberley Reef)								
Sampled—m	474	6	582	1 062	936	—	414	1 350
Channel width—cm	254	265	434	353	211	—	418	274
Average value:								
Gold—g/t	3,4	7,1	3,7	3,6	3,6	—	3,9	3,7
—cm-g/t	864	1 882	1 606	1 271	760	—	1 630	1 014
Uranium—kg/t	0,08	0,26	0,28	0,18	0,07	—	0,29	0,17
—cm-kg/t	20,32	68,90	112,84	63,54	14,77	—	121,22	46,58

GOLD PRODUCTION

Mill throughput increased by 64 000 tons in relation to the previous quarter and included 101 000 tons (87 000 tons) from surface sources. Ore milled from underground sources increased by 50 000 tons.

SHAFTS

Cooke No. 3A Ventilation Shaft

Sinking is proceeding according to plan and has reached a depth of 685 metres (298 metres) below surface.

Doornkop Shafts

Sinking of the No. 1 Shaft is progressing according to plan and has reached a depth of 1 135 metres (1 072 metres) below surface. The 132 belt level and pump station excavations are in progress.

Sinking of the No. 1 and No. 1A Ventilation Shafts has reached the final depths of 867 metres (864 metres) and 852 metres (851 metres) respectively.

CAPITAL EXPENDITURE (R000)	Quarter ended 30.09.86	30.06.86
Net expenditure: mining assets	53 518	61 448
: other assets	(66)	212
Capital commitments at end of period	103 816	101 730

LONG-TERM LOANS (R000)	30.09.86	30.06.86
Balance at end of period	54 264	63 306
Interest paid during the period	260	603
Repayments due within one year	11 662	14 560

CONSUMER LOAN

The consumer loan has been converted to SA currency at the rate ruling at 30.09.86 which was R1 = $0,4440 (R1 = $0,3970 at 30.06.86). The long-term loan balance as well as the current portion of this loan are expressed net of the future tax effect of losses resulting from exchange differences.

On behalf of the Board
K. W. MAXWELL
F. J. P. ROUX
Directors

Western Areas

Western Areas Gold Mining Company Limited
Registration Number 59/03209/06
Issued capital: R40 306 950
(Divided into 40 306 950 units of stock of R1 each)

OPERATING RESULTS (Unaudited)	Quarter ended 30.09.86	30.06.86
Gold		
Ore milled—tons	946 000	988 000
Yield—grams per ton	4,0	4,2
Kilograms produced	3 784	4 150
Revenue—per ton milled	R107,97	R105,79
Working cost—per ton milled	R95,60	R89,48
Profit—per ton milled	R12,37	R16,31
Uranium		
Tons treated	174 000	182 000
Yield—kilograms per ton	0,38	0,37
Kilograms produced	66 051	66 641

FINANCIAL RESULTS (R000) (Unaudited)	30.09.86	30.06.86
Revenue from gold	102 135	104 521
Working costs	90 434	88 408
Profit from gold	11 701	16 113
Profit from uranium	4 735	5 142
Net sundry revenue	2 047	3 571
Profit before tax and State's share	18 483	24 826
Tax and State's share	7 810	(10 903)
Profit after tax and State's share	10 673	35 729
Capital expenditure	23 328	34 947
Dividends declared	—	9 674

Notes:
1. Gold price received: Rand per kg: 26 780 (30.09.86); 24 885 (30.06.86)
2. Revenue from gold and the reported gold price take account of gold and currency forward transactions.
3. Tax for the year to date has been calculated on the basis of the actual results to date and an estimate for the remainder of the current financial year. Members will recall that the company has since 31 December 1983 disputed the ruling by the Commissioner for Inland Revenue concerning the method of calculating tax where there are both mining profits and non-mining losses. Tax provisions and payments were nevertheless made on the conservative basis that the company might not succeed in its objection to the assessments. In a recent Special Income Tax Court ruling it was found that both the company and the Commissioner were incorrect in the interpretations they had placed on the method of calculating tax under these circumstances. In terms of the judgment the Commissioner has called for an additional tax payment in respect of the financial year ending 30 June 1986. A provision of R2,412 million has now been made in respect of the financial periods ending 31 December 1983, 30 June 1985 and 30 June 1986. This amount has been included in the tax provision for this quarter. However, as a result of the ruling, it appears that the company will have a non-mining loss of R27,6 million that will be carried forward and offset against future non-mining profits. The company is awaiting the written judgment before taking a decision whether or not to appeal.

DEVELOPMENT — Metres advanced	Quarter ended 30.09.86	30.06.86
Ventersdorp Contact Reef	2011	1471
Upper Elsburg Reefs	3525	3562
Middle Elsburg Reefs	2056	1795
Total metres	7592	6828

The introduction of mechanised mining will reduce the requirement for development on the Upper Elsburg Reef.

SAMPLING RESULTS

The values shown in the following tabulations are the actual results of sampling reef development. No allowance has been made for any adjustments that may be necessary when computing ore reserves.

Ventersdorp Contact Reef, Elsburg Massive Reefs and Elsburg Individual Reefs

	Quarter ended 30.09.86					Quarter ended 30.06.86				
	VCR	EMR	EIR	MM*	Total	VCR	EMR	EIR	MM*	Total
Sampled—m	657	18	42	567	1 284	444	9	165	828	1 446
Channel width—cm	46	226	316	478	247	61	238	210	409	278
Average value:										
Gold—g/t	13,2	5,2	8,0	4,2	5,2	12,8	10,1	4,1	4,9	5,1
—cm-g/t	607	1 175	2 544	1 989	1 284	781	2 404	861	2 004	1 418

*Mechanised mining

Middle Elsburg Reefs	Quarter ended 30.09.86	30.06.86
Sampled—m	318	396
Channel width—cm	153	147
Average value:		
Gold—g/t	2,6	2,1
—cm-g/t	398	309
Uranium—kg/t	0,39	0,41
—cm-kg/t	59,67	60,27

GOLD PRODUCTION

The tonnage treated from underground was supplemented by 21 000 tons (22 000 tons) from surface sources.

No. 2 SUB-VERTICAL SHAFT

The shaft deepening is progressing according to plan and will be completed early in 1987.

WATER CONTROL PROJECT

Dewatering of the Gemsbokfontein Dolomitic Compartment is progressing according to plan.

CAPITAL EXPENDITURE (R000)	Quarter ended 30.09.86	30.06.86
Net expenditure: mining assets	22 584	34 062
other assets	744	885
Capital commitments at end of period	14 407	21 001

LONG-TERM LOANS (R000)	30.09.86	30.06.86
Balance at end of period	20 625	21 250
Interest paid during the period	—	—
Repayments due within one year	2 500	2 500

FORWARD CONTRACTS

The company has entered into forward contracts in respect of a portion of its gold production in order to stabilise revenue and thereby reduce the company's vulnerability to operating losses. In the light of the increase in the gold price, that portion has now been reduced. The company has also entered into currency forward contracts in respect of a corresponding portion of its expected gold revenue.

On behalf of the Board
K. W. MAXWELL
F. J. P. ROUX
Directors

H J Joel

H J Joel Gold Mining Company Limited
Registration Number 85/01895/06
Issued capital: R709 283,67
(Divided into 70 928 367 shares of one cent each)

RESULTS (Unaudited)	Quarter ended 30.09.86 R000	30.06.86 R000
Expenditure on capital account	22 515	37 309
Net sundry revenue	2 605	34

SHAFT SINKING

Shaft sinking is proceeding according to plan. No. 3 and No. 4 Shafts have reached depths of 847 metres and 700 metres respectively. Lining has been completed to 635 metres and 686 metres respectively below collar, and mid-shaft loading facilities in No. 4 Shaft are being installed on 60 Level.

DEVELOPMENT

Development on 60 Level has been advanced 282 metres. The reef should be intersected by the end of April 1987.

TREATMENT PLANT AND SURFACE INFRASTRUCTURE

Construction of the 80 000 ton-per-month gold treatment plant is proceeding as planned.

The single quarters are under construction on the mine property, and 30 houses are being built in Virginia.

On behalf of the Board
K. W. MAXWELL
F. J. P. ROUX
Directors

Elsburg

Elsburg Gold Mining Company Limited
Registration Number 65/10728/06
Issued capital: R30 203 000
(Divided into 30 203 000 units of stock of R1 each)

Stockholders are advised to study the operating results published by Western Areas Gold Mining Company Limited.

On behalf of the Board
K. W. MAXWELL
F. J. P. ROUX
Directors

Copies of these reports are available on request from the offices of:
Barnato Brothers Limited
99 Bishopsgate, London EC2M 3XE, England

16 October 1986

THE PROPERTY MARKET By PAUL CHEESERIGHT

INVESTMENT

PINCs win rush to the market

THE STOCK EXCHANGE has a crucial role to play in bringing together rival groups seeking to establish new financial markets for trading equities in single investment properties.

This became clear yesterday when the PINCs Association was formally launched on the back of last August's announcement that the Exchange would list property income certificates and consider for listing other vehicles for investment in single properties.

Property income certificates (PINCs) are securities with two elements. The first is a certificate which entitles the holder to a portion of the rental income from the property. The second is a share in the management company created to control the single property open to investment and to collect the rental income for distribution.

Trading in PINCs, scheduled for early 1987 by the new association, is likely to start a year and maybe 18 months before trading in another vehicle — a co-ownership trust for single properties. The emergence of such trusts depends on amendments to the Financial Services Bill being taken during the House of Lords report stage.

But the PINCs scheme is being sponsored by Richard Ellis, the agents, by County and by ANZ Merchant Bank, while the trust scheme has come from Mr John Barkshire of Mercantile House.

The PINCs Association people have not been invited to the meetings of Mr Barkshire's committee, although the two sides are in correspondence. And Richard Ellis evidently refused to join the Barkshire committee.

Now the new association is seeking to establish itself as an umbrella group for all types of single asset property investment vehicles, but its chosen name at least suggests where its future emphasis will lie. Trusts and PINCs are very different.

However, Mr Andrew Huntley of Richard Ellis said that the new association is offering membership to the Barkshire committee, which inevitably, given the legislative route it has chosen, is lagging behind the PINCs Association in its preparations. "We have a product. I don't think John Barkshire does," said Mr Huntley.

A new property investment market is likely to require a variety of different vehicles to cater for different investment needs. The speed at which the PINCs Association has worked, in the interests of providing liquidity for a notoriously illiquid market, means that the development of the market will be piecemeal.

Here, then, is the problem for the Stock Exchange, which is as interested in the trust approach as it is in the PINCs. The cautious view is that the opening of a new market should be orderly and considered.

The fear is that a market starting narrowly could be speared. In fact, the new PINCs will be launched on the basis of portions of perhaps three or four buildings, although they will be substantial properties—nothing less than £20m in value is considered worthwhile.

On the other hand, the PINCs Association believes that adequate support for its new vehicle does exist. A survey of 153 financial institutions carried out in March by Consensus Research, showed that 46 per cent considered themselves as likely investors in PINCs, always provided the market is an active one.

That over half the sample appeared not very interested is an indication of the divisions in the industry about PINCs—divisions which of course have also emerged in the membership of the rival committees.

The Royal Institution of Chartered Surveyors, whose members will have a significant role to play in the provision of the technical advice needed to underpin any new form of investment, has found itself caught up in the rivalries.

Its own studies of new forms of property investment led it to conclude that the co-ownership trust was the best way forward. Mr Barkshire at Mercantile House came to the same conclusion, so that the two found themselves allied.

The RICS played a part in the lobbying which led to the tabling of amendments in the Financial Services Bill. But latterly it has stood back, confining itself to liaison. Having adopted the approach of demanding legislative changes, it is in an awkward position as far as PINCs are concerned, because it cannot ally itself to an approach which goes round the existing law. The RICS has offered to liase with the PINCs sponsors, but so far has had no response.

Now the RICS wants an end to the rivalry. "We want to see a new market. We want to see the two groups coming together to establish the mechanics and regulations of a new market. We are prepared to play a full part in the discussions leading to this end," said Mr Colin Vaughan, chairman of the RICS working party on unitisation.

The rivalry has been going on for 18 months. But it has ceased to be a matter of arcane City and industry debate. As Mr Huntley said of PINCs, "There is now a real prospect of a market. This is not an academic matter."

And, although, the schemes for investment are initially targeted at institutional investors, the hope certainly of the PINCs Association is that the investing public will become involved. The unit size of a PINC could go as low as 100p. "Just like buying a TSB share," said Mr Paul Rivlin of County.

NORWICH

A case of inner city complications

MR WILLIAM WALDEGRAVE, the Minister for the Environment, and the Norwich City Council are natural allies. Mr Waldegrave acted this week to control the spread of out-of-town shopping centres. Norwich has been against it for years.

But the Norwich experience provides a whole set of reasons for the desire of developers to seek greenfield sites and hence provide another set of reasons for Mr Waldegrave to curb them.

Next year, Estates and General Investments and Friends Provident Life Office should start the construction of a new inner Norwich shopping centre of 600,000 sq ft gross, of which 300,000 sq ft is retailing space. Investment is up to £78m.

The basic site, though, became available in the 1960s. Then the cattle market, once a commercial hub in the centre of Norwich just to the south of the cathedral and just to the east of the prime shopping streets, shifted out. Since then the site has been a car park.

It took until the late 1970s for Norwich itself to decide what it wanted to do with the land, by this time becoming a void between the prime shopping streets and newer office developments further east. And then, ideas for a new centre, not least those of Electricity Supply Nominees, foundered on problems of traffic flow and the relationship of any new centre to the existing shopping streets.

The city council's way out was to hold a competition for the best development plan. Estates and General won that in 1983. Now, three years on, the final pieces of the planning and commercial jig-saw are slotting into place.

Yet the scheme which will proceed is not the scheme which won the competition. City council demands changed. Estates and General had to work up their ideas and above all they had to find a tenant large enough to anchor the whole project. Eventually, House of Fraser emerged, prepared to lease 100,000 square feet.

The delays were such, however, that Prudential Assurance, which had lost the competition, came back with a rival development plan backed by its own funds. Estates and General began its own finance search a year ago and finally teamed up with Friends Provident last month.

What will be built is bigger than the city council first envisaged—the retail space being provided is some 125,000 square feet more than the competition-winning plan—and the new centre, called Castle Mall, will merge into gardens abutting the castle itself.

All of this shows the complications of inner city schemes, made more difficult in Norwich because of the topography. This forces a four-level centre, so that the requisite links can be made to the existing shopping area on one side, the castle on another and car parking on a third.

The concomitant of that is the difficulty of getting the funding for a project actually signed up, as opposed to being loosely and verbally committed. Friends Provident had been looking at Norwich as a potential destination for investment since 1980, a good five years before negotiations in detail with Estates and General for £60m. The higher the barriers to development, the more cautious will be the approach of funds.

The complications, in a more general sense, go further. Inner city land is more expensive than land out of town. The holdings are more difficult to piece together. While, in the Norwich case, the situation has been relatively easy in that the Castle Mall project is on a site owned for the vast part by the city council and Estates and General, generally land purchases are probably easier out of town.

Significantly, the planning authorities in Norwich and Norfolk have rejected over 20 applications for out-of-town developments while the arguments over the city centre and the working up of the Estates and General scheme have gone on. This is consistent not only with city council planning policy but also the Norfolk structure plan.

Yet, side by side with the inner city development, access to the city has to be made easier. Plans for a southern ring road are under examination, but the city council acknowledges that, while this could make movement in the city easier, it will also set off even stronger pressure from developers for projects on sites along the road.

It is just this sort of crawling development, especially when it starts to trespass on the Green Belt, that Mr Waldegrave is standing out against. Given the length of time it takes to bring inner city developments to fruition, it will not be easy. Developers know quite well that it is retailing developments which have been providing the *returns*.

But helping Mr Waldegrave is the fact that re-developed city centre sites are now providing the sort of rental income the developers want. It is probably only in the last five years that retail rental values could support schemes like Castle Mall.

Estates and General and Friends Provident costings have been done on the basis of £70 a square foot, in the middle of the existing prime rentals zone for Norwich. But experience elsewhere has shown Debenham Tewson and Chinnocks, the *agents for Castle Mall, that it* ought to be able to charge rents near £100 a square foot.

FINANCIAL TIMES SURVEY

Friday October 17 1986

Property along the M25

The final link in London's £1bn orbital motorway should open this month. But the road has already significantly affected land values and traffic.

Magnetic circuit closes

By William Cochrane

THE 120-MILE M25 orbital motorway around London—the final sections of which will be open by the end of this month—has generated frustration, controversy and much wealth in both its planning and construction.

In the areas where it has already become an established part of the road pattern it has had a significant impact on traffic flows, land prices, office, industrial and housing location. Once it is completed it could play an important role in spreading wealth more evenly over the south east region as a whole.

It also has a national significance which Britain's poorer regions have not failed to observe. Built at a cost of £1bn it will further enhance the attractiveness of the south east as a magnet for new business start-ups and as the administrative centre for manufacturing and service organisations.

Other controversy, too, has dogged it. Traffic experts say that serious overcrowding on the motorway was evident well before it was finished. The choice of Trafalgar House to build a four-lane bridge across the Thames at Dartford is one response to the "unacceptable pressure" foreseen by government for the Dartford tunnels early in the 1990s.

There is controversy at professional level, where agents Rogers Chapman, active in the booming western quadrant of the motorway and its environs, highlight the continued growth of the Western Corridor along the M4 between London, Bristol and Cardiff. They give credit to the M25 for stimulating this process. The changes they perceive, therefore, fall naturally into the western arc.

They say that the opening of the motorway has led to considerable demand for new accommodation in smaller, often more attractive, locations which have the benefit of easy access to the motorways.

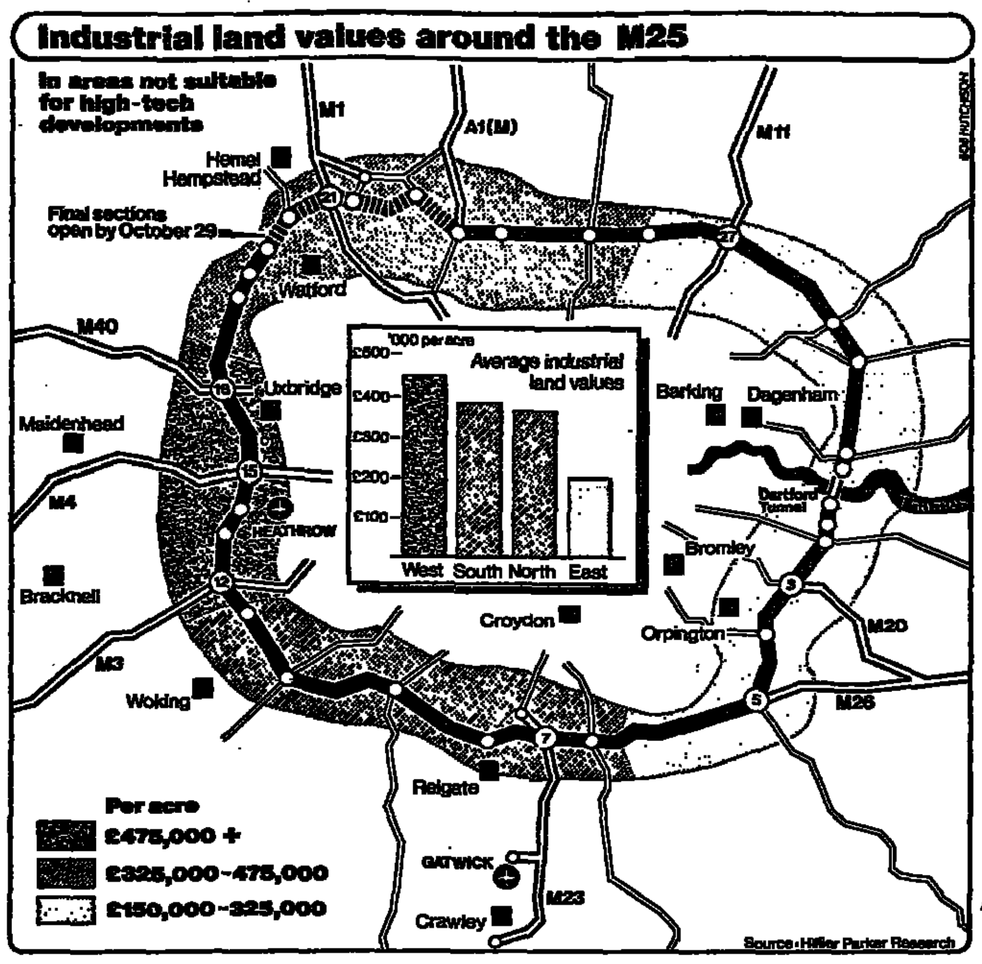
"Towns such as Chertsey, Egham, Staines and Uxbridge have come under considerable pressure from prospective occupiers," they say, "with the result that rental levels in these areas are now at a similar level to those obtained in the major centres.

"Some of the more traditional centres including Ealing, Hounslow, Richmond, Slough and Reading were hitherto well established for having easy access to central London via road and rail and good motorway communications, and accessibility to London's Heathrow Airport," they say.

"The desirability of some of these traditional centres has been undermined by the opening of the M25 motorway with companies recognising the locational advantages of moving to centres around the M25."

Mr Fer Dijkstra, head of research at Knight, Frank and Rutley, says that the overall western bias was predictable. Active towns like Hounslow, Uxbridge and Redhill have become more active, he notes, while their less active counterparts to the east of London, like Harlow, Enfield and Romford, have not suddenly become the focus of developers' interest.

"Accessibility does not necessarily or immediately lead to increased development," says Mr Dijkstra. "Inertia is more important. Companies do not move often and when they do, they don't move far.



"Change is gradual—a sort of ripple effect. That is why we are seeing an upsurge in Hertfordshire — Watford, St Albans, Hemel Hemstead—but not yet in Enfield, Harlow and Waltham Cross."

Mr Dijkstra's view of the future foresees no miraculous conversion among developers, funders or occupiers to the wide open spaces. He predicts traffic congestion in the western section of the M25, housing shortages, staff shortages, high house prices, higher rents for commercial property — "an amount of growth which can't be satisfield, so business will go west along the M4 and north into Hertfordshire."

Developer Beacontree Estates goes for a virtually segregated system with hi-tech, high value situations in the west and, generally, warehousing distribution on the east.

"While such a philosophy would not delight social engineers," it says, "there remain two principal obstacles to mobility of commerce: The user who cannot take undue risks in relocating: and the institutional funding sources which are not geared to taking undue risks and always wish to see evidence in the market place in terms of rentals and other investors' involvement."

The company's directors say that while this may seem a negative reaction to the influence of the M25, the imminent completion of the new road has not produced the results which were predicted.

"As a radial route around London it has revolutionised travel to work habits, but in the long term, perhaps, it will do little more than improve the attractiveness of certain sites whose immediate access is improved by a change in local road patterns," they say.

Agents Debenham Tewson & Chinnocks say that the M25 in itself is not the sole determining factor in locating development. Two other aspects are important:

- The ability of the particular location to offer facilities which large commercial companies need. "Many places along the M25 are small centres which cannot in themselves support major developments," they say.
- "There is still a preference for good communications with central London, mainly via a rail link."

It is a point which developers, investors and occupiers would do well to bear in mind. The M25 is not a battle plan, nor a treasure chest, nor even a concrete necklace with valuable or less valuable locations dangling from it.

It is a motorway frequently bordered by green belt and surrounded by towns. Some of them seem to have no heart, certainly no attraction for headquarters office locations—like Orpington, in Kent.

Others, like Waltham Cross on the M25/A10 intersection in the north, seem to have the "magic" and are just waiting for the swing to the east.

Eastern Sector

Setting out to change minds

THERE IS relatively scant regard for the eastern quadrants of the M25 among developers, institutions or tenants of commercial property.

"However, a report entitled Eastern Promise? by those practical academics Michael Breheny, Douglas Hart and Peter Hall for the London property and design practice Derrick Wade and Waters* sets out to change a mind or two.

Having started out as a survey of development prospects for the M11 corridor, stretching from London to Cambridge, the research broadened to cover eastern England from Cambridge in the north to the Kent coast in the south—including east London in the middle.

The report tackles issues, including:

- the economic base—already prosperous, it says, showing that its M11 core area in 1981 had a higher proportion of its workforce in high technology jobs than Berkshire;
- Analysis of the combined effects of the completed M25, Stansted Airport, the Cambridge hi-tech phenomenon and the direct motorway link to London's Docklands;
- the "discovery" of eastern England, its European trade, its booming population, including such gems as: "Virtually all of the major national infrastructure developments in the UK are taking place in Eastern England";
- an assessment of the effects of the major road, air and rail changes which, it says, are now turning London eastwards; and
- a challenge to the apparent failure of local planners to change and direct development pressures.

The authors say that a series of major public and private sector development initiatives, completed or planned, look set to give the area a major boost. These include completion of the M25, which gives greatest increased benefits in its eastern section, and the completion of the M11, which combined with the effects of the M25 gives greatly increased accessibility to areas in the centre of the M11 corridor, such as Harlow and Saffron Walden.

Extension of the M11 south into London's Docklands would bring it within three miles of the City of London and make it the motorway closest to the heart of the capital.

London's docklands will be rejuvenated, including a light railway and a new airport which will supplement an improved road and rail system in north east London, including the proposed East River Crossing, giving this part of the capital the best communications network of any part of Inner London.

Other growth factors such as the proposed Channel Tunnel; the expansion of Stansted Airport to become London's third airport; and the increased importance of the east coast ports, as trade with the EEC increases.

> "Heathrow cannot get much better. What the M25 has done is to open up other areas."
> Roger Saper, of Jones Lang Wootton

"More important than the individual impact of any of these projects is their cumulative overall effect on the prospects of eastern England," say the authors. "They suggest that the M11 Corridor will not be an isolated pocket of development potential but that it, and these other developments in eastern England, will be mutually and beneficially supportive."

They say that a common denominator of many of these developments is Britain's increasing European orientation, and that eastern England is well placed to take advantage of this growing trade and travel with the Continent.

* *Michael Breheny, Douglas Hart and Peter Hall, Spatial and Economic Associates, Faculty of Urban and Regional Studies, University of Reading, PO Box 227, Reading RG6 2AF. Derrick, Wade and Waters are at 78 Wimpole Street, London W1M 7DD.*

W C

M25 PROPERTY 2

Retail

Lion's share of development

A SUBSTANTIAL amount of retail development has taken place around the M25 over the past decade.

"More than 5m sq ft has opened since 1976 and these figures apply only to schemes of over 50,000 sq ft," according to Mr John Hetherington of Hillier Parker. "This represents about half of all such developments in the south-east."

The development pattern, however, has been quite different from that of the rest of the region. For the area as a whole, the amount of floorspace open in the past five years has been almost identical to that of the previous five. But developments around the M25 have more than doubled, and account for a quarter of all floorspace opened in the south-east since 1980.

Mr Hetherington says the development contrast is even more pronounced when schemes in the pipeline come under review. Schemes proposed, in the planning stage, or under construction show the effect of the out-of-town retail procession with 40 per cent of such schemes in the south-east lying close to the M25.

Mr John Milligan of Jones Lang Wootton thinks that maybe four of these out of town giants—typically around the 1m sq ft mark, many of them with leisure facilities as well—will eventually be built, probably one for each quadrant of the M25; and that the immutability of green belt may come seriously into question.

"This is inevitable," he says. "There is a demand for these centres. If you stick one outside a town centre, you could kill the town; if you put it on green belt you would allow the town centre to survive by changing its shape a little bit."

Mr Tony Tapley, part of the town planning team at Healey & Baker, is involved with three major out-of-town schemes, two for Town & City (part of the P & O group) and one for London & Edinburgh Trust.

T & C's Dolphin Park at Thurrock, one the lip of the M25 just north of the Dartford Tunnel, would be more than 1m sq ft with expensive leisure provision, including a 100,000 sq ft children's village.

Unfortunately it competes with a plan by Pearson Lakeside and Capital & Counties of similar scale on the other side of the motorway — where Pearson, and RTZ Estates next door, are already going ahead with what could be an aggregate of 800,000 sq ft of convenience retailing, in adjacent retail warehouse parks.

Both of the Thurrock regional schemes were called in by the Environment Secretary and a public inquiry into both is expected to open next January 13. "It was originally allocated 40 working days, which would have been 10 weeks," says Mr Tapley, "but it has been reallocated 20 days." The decision from that inquiry, he thinks, could take up to a year.

Thurrock is relatively low key. T & C's other major plan, for the "Golden Triangle" at Bricket Wood, is anything but. St Albans City and District Council was furiously opposed to development of this green belt site in June of last year, when the plan was first mooted. It did not want to be swallowed up in suburban London, like another Barnet.

T & C is appealing on the grounds of non-determination of its planning application, and in addition it has submitted another. The first, Mr Tapley says, was for 500,000 sq ft of retailing and leisure uses, including a hotel, and decked car parking which would have left half of the 90 acre site available for conversion to a country park.

The second is for 750,000 sq ft of retailing, a large leisure element, plus a hotel and extensive ground-level car parking which would leave considerably less room for greenery.

LET's scheme at Hook, south of Kingston, in Surrey, is for 1.3m sq ft gross with the shipping on two levels, multi-level car parking. The scheme is banana-shaped, following the line of the road, to leave the largest possible gap between it and adjacent residential property. The gap would accomodate another country park.

As at Bricket Wood, H & B is appealing against non-determination within the statutory eight-week period from the formal lodging of the planning application.

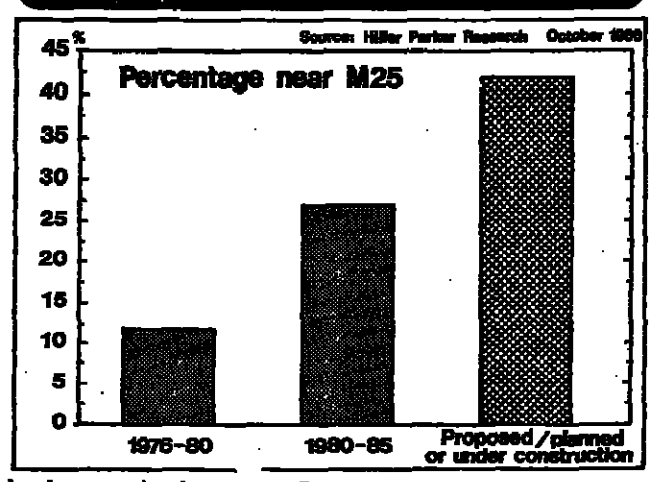
All this out-of-town activity has accelerated urban retail development in the area. In April, Watford Borough Council joined with Sun Alliance Insurance and Capital & Counties to put a £100m, 500,000 sq ft development shopping centre on what is known as the Mars 1 site, 10 acres in the heart of the town centre.

Watford Council said that it had always defended town centre shopping against incursions from the out-of-town retailer, that it had been looking at Mars 1 since the early 1960s, but that only recently had the money to develop the site become available.

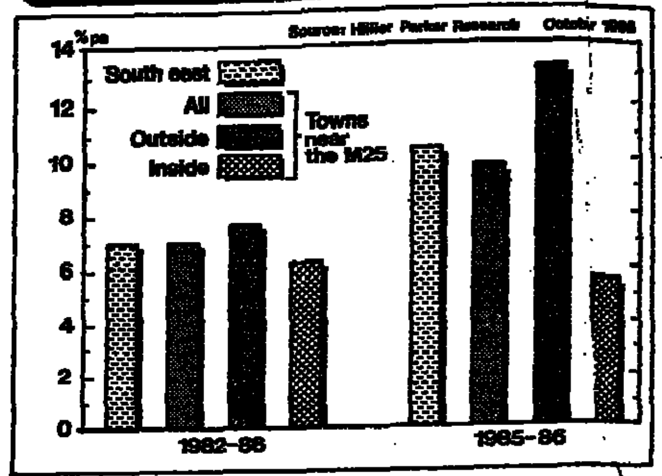
Other Home Counties towns are investing in new retailing but the acid test is whether they have the will to improve access, parking and environment to compete with peripheral locations.

William Cochrane

Shopping scheme developments in south east



Shop rental growth in the south east



Two developers' views of the market

Warning over boom hope

BEACONTREE Estates, the development company jointly owned by Clarke Nickolls & Coombs and J. M. Jones (Holdings), sounds a warning to those who think that congestion in the western quadrant of the M25 heralds an instant property boom further east.

The company's directors find it interesting to reflect upon the Hillier Parker / Investors Chronicle research survey carried out in March 1979 (The effect of Motorways on Industrial Rental Growth) in which, they say: "the conclusion was that motorway communications of themselves would not render acceptable, and attractive, locations which did not possess inherent economic strength and which were not in areas of economic prosperity."

They say that while the London area and the south-east generally are different from the national pattern, they are perhaps merely a microcosm of this national phenomenon.

The directors point to the increasing pressures of demand for office and high technology and warehouse property in the relatively small area from Bracknell and out west to Reading.

"Perhaps the message here," they say, "is that the evolution of community development and hence economic activity is slow

Beacontree Estates

relative to changes taking place in the market place for consumer goods and the products of the information technology industries."

Beacontree accepts that pressure for accommodation within this "Golden Triangle" leads to the takeup of space which is "less than ideal" in terms of location, quality or size. Underspecified space of this type, says the board, will remain unlet if it faces competition in its immediate area, even if that area is Bracknell or Maidenhead.

In the Heathrow area, Beacontree itself has had two developments known as Space Centre 1 and 2. These were both prelet to local occupiers while the Space Village scheme in Bracknell and The Switchback in Maidenhead were both substantially let prior to completion at top rentals.

On a larger scale, it notes, both the Beacontree Estates 221 Concept at Slough and LET's Waterside Park development in Bracknell were let prior to completion to Wordplex and Hewlett Packard respectively, indicating the demand for large units around 100,000 sq ft—as well as the lack of this scale of development on a speculative basis.

"At the same time," says the company, "although it has been apparent that a number of multinational companies are now considering locations around the M25 between Leatherhead and Watford (on the fringes of the western quadrant), earlier schemes in Leatherhead and several schemes in Hemel Hempstead have remained vacant for some time after completion."

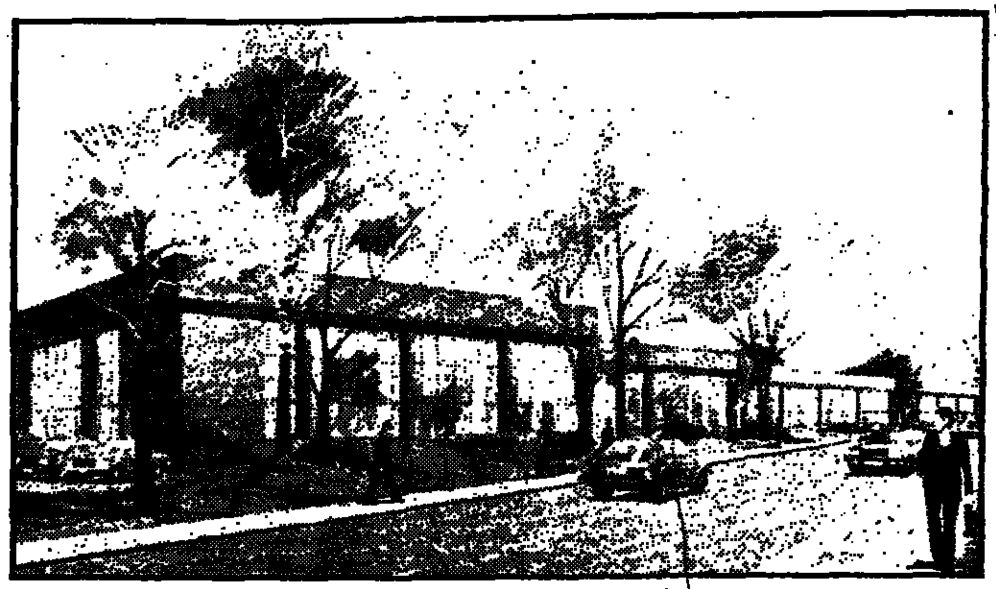
It says that Watford has been considerably more successful with Marconi, Diversey and Megatest taking substantial units at good rentals. "The indication is that areas on the periphery of this "Golden Triangle" have been attracting [illegible] of local companies rather than companies seeking UK headquarters."

Beacontree says that the M4 will keep the allegiance of information technology companies. It reckons that, on the eastern sector of the M25, pressure will build up for distribution locations. "In the short term," it says, "landowners on the western sector will not sell well-located sites for warehouse or conventional industrial values."

Added to this, say the Board, the operating costs of distribution centres in the eastern sector serving the whole of the Greater London area are not appreciably higher than they would be in the western sector.

"It therefore seems," they conclude, "that a pattern of high-tech high-value situations will continue in the western sector of the M25, while in the eastern sector most of the well located sites may prove viable for warehousing distribution and — in exceptional circumstances on the northern axis — for retail."

W.C.



Beacontree Estates and Barclays de Zoete Wedd paid £1m an acre for land to develop Pine Trees, an office industrial scheme at Staines

Looking north for rental growth

HUNTING GATE, the private property company which was once the platform for the development talents of Mr Danny Desmond, who resigned in 1983 and is now prospering with his Bride Hall Developments vehicle, has a more settled look about it these days.

In September 1985 it found a new chief executive in Mr John Redgrave, former chairman of Walter Laurence, to add to the existing skills of director Mr Ken Grundy and the incoming younger generation of the ruling Bandet family.

It had some brickbats slung at it for sticking a 189,000 sq ft "mid-tech" development called Keywest into the Southern Industrial Estate at Bracknell. The £13m development comprised 150,000 sq ft of warehousing, 18,000 sq ft of offices, and 31,000 sq ft in three separate buildings suitable for office or research/development use.

"Neither fish nor fowl", said the trade, and watched Keywest hang on the market while the hi-tech boom surrounded it. However, this July the 168,000 sq ft went to Dorothy Perkins, part of the Burton Group, for its new UK distribution centre.

Mr Grundy says that Hunting Gate was traditionally an indus-

Hunting Gate

trial developer and one gets the impression that Keywest was part of its evolution. Now, with Allied Dunbar Property Funds in partnership, it is going decidedly up market (and up the A1(M)—with its Shire Park business park at Welwyn Garden City.

"Shire Park, at the moment, is designed as two-storey hi-tech but certain elements of it could be offices," Mr Grundy says. "The planning authorities at Welwyn and Hatfield have indicated that a named user—or, even better, an existing user—might get sympathetic consideration for office use."

Hunting Gate accepts the philosophy that rental growth in the western sector of the M4—which it defines as between the M3 and the M40 intersections—can be expected to continue.

However, as a property company, it wants to look beyond that. "The imminent completion of the north-west section of the M25, together with further improvements to the A1(M), will provide the corridor between the M1 and M11 with the long-awaited direct motorway link to Heathrow," it says.

This sector, the argument continues, will then boast an infrastructure and quality of environment equal to the western corridor. It is here that Hunting Gate sees its opportunity.

"At present," it says, "rental levels in this area are considerably lower than those prevailing further west so we anticipate companies with office and hi-tech requirements focussing more strongly on this sector—with the result that, over the next year or three years, rents are likely to grow faster."

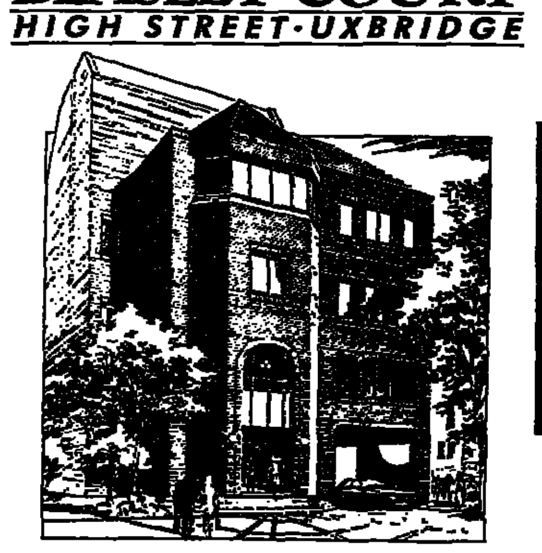
Hunting Gate sees rents equating to those in the western sector and says that the north-west has the very good quality housing—not to mention extensive green belt restrictions on development land—to bring about its upgrading.

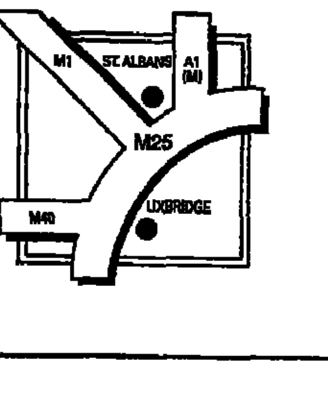
It supports the eastern sector argument. "Heavy industry and warehousing has tended to predominate in the area between the M11 and M20 with rents substantially lower than further west," it says. "The completion of the M25 will encourage traditional warehousing and industrial development and we expect good demand from companies seeking this type of accommodation."

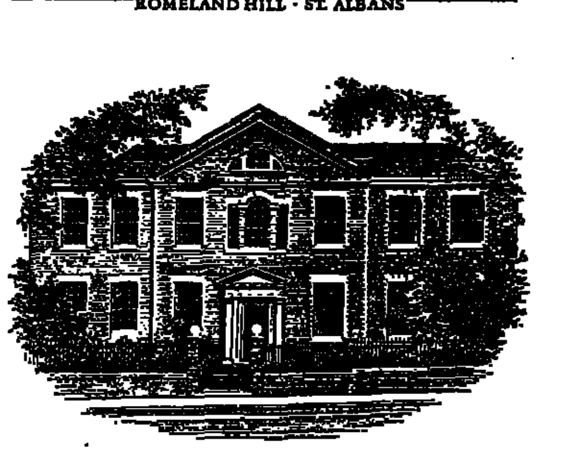
Again, the company develops the argument. The eastern trend is likely to strengthen in this sector since industrial land values west of London will be generally too high to support such schemes. "Consequently," it says, "we anticipate above average rental growth for new well-located warehouse and industrial property in the eastern sector."

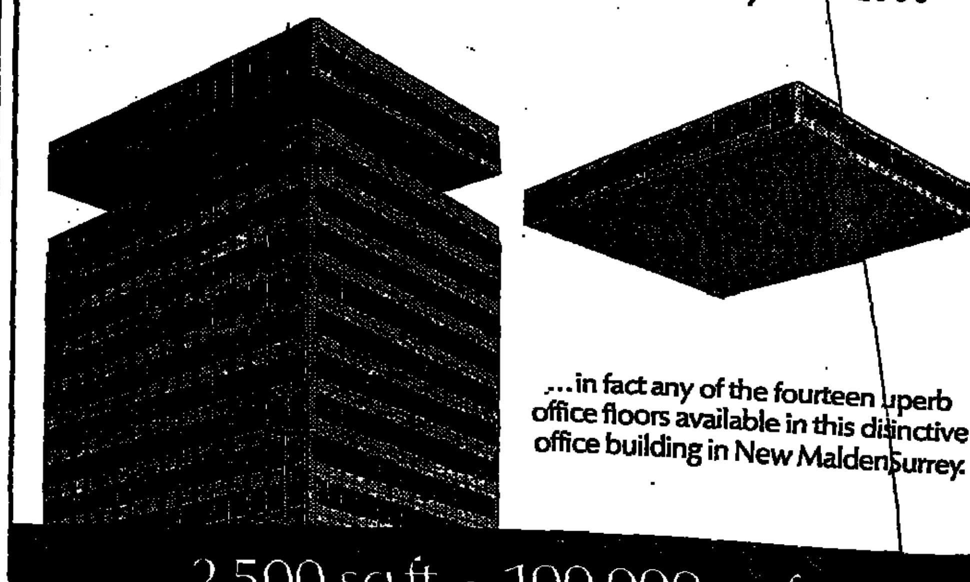
The company expects institutional property investment to continue with greater emphasis in the northern sector where rents are lower and there is potential growth. "In addition," notes Mr Grundy, "low interest rates have encouraged a number of occupiers to purchase freeholds outright."

W.C.









Industry

Green belt questioned

THERE IS a lot of breadth in the industrial property market these days; from the quasi-office business park, through assembly, research and development and show space, light industrial and storage space to the simple warehouse shed.

Business parks and sheds are seen as the extremes of the market, and what links them to the M25, according to some observers, is that it is hard to find either variety.

Mr Roger Saper is an industrial partner at Jones Lang Wootoon, one of the firms responsible for letting Stockley Park, the high-prime 1½m sq ft business park adjacent to London's Heathrow Airport which has just secured Fujitsu, Japan's top computer maker, as its first tenant.

He thinks that hi-tech may have been oversold. "A number of people will not go ahead with it at the moment," he says. "It is getting harder to fund. As land prices are squeezed up, developers have been cutting down on the essentials—parking, environment, quality—and they will be left with bad developments on their hands."

He has another problem with warehousing. "I am searching for 20,000 to 40,000 sq ft for a major public limited company south of the Thames and I cannot find a building." What he wants is a simple shed with good quality offices.

"You can not get people to put money into sheds," he says. "There are two funds which will invest in them but they just will not look east, where sites are available."

Mr Laurie Soden, of Edward Erdman, thinks that people are too ready to accept the status quo: that green belt regulations restrict the supply of development land in the western quadrant, pushing up land values to £1m an acre and making shed development, at that price, impossible.

First, he attacks the supply theory. "There are 15 or 20-acre infill sites in the western quadrant, already surrounded by roads and industrial development, which happen to have been designated green belt but which will never amount to more than low quality agricultural, or disused land," he says.

"This sort of site could not be made high quality agricultural, or brought into an accepted green belt use, except at a very high cost.

"We should be looking at the development of this type of site, green belt or not. We would be agreeable to designation of the site as industrial by the local authority." He says that he can think of two or three sites in the "hot" quarter of the M25 which would come into this category.

"You would be talking about land values of £350,000 to £400,000 an acre for 10 to 15 acres, providing you can leave out high-faluting ideas about retail or hi-hech," he calculates.

Mr Soden thinks that there is a "super leasehold" market for sheds in the western quadrant, at rentals of £5.50 to £6.00 a foot.

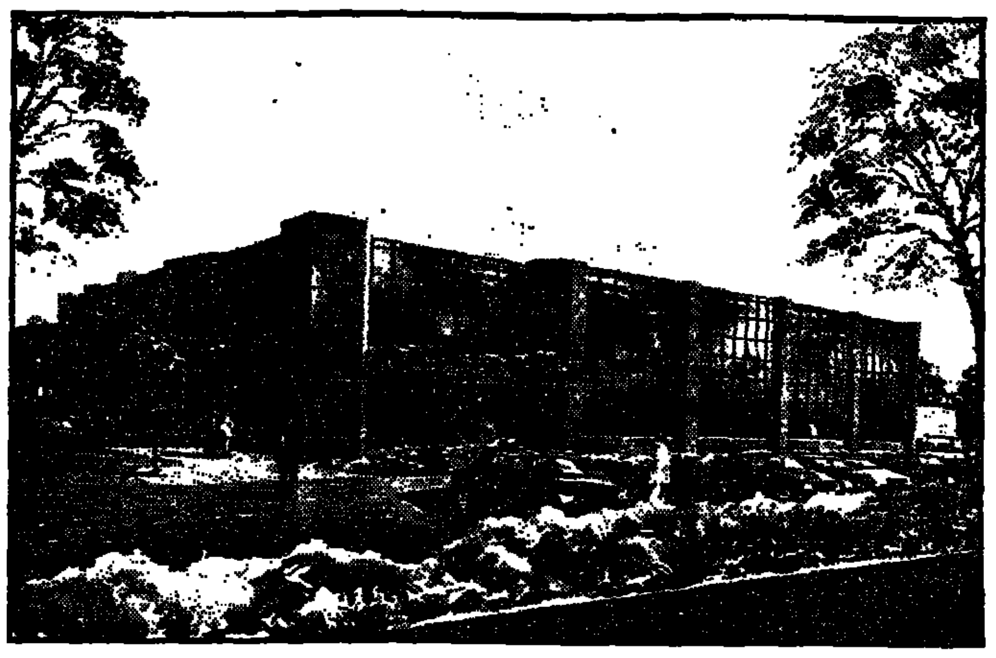
"There is no shortage of takers for anything," he says. "Sheds available on the east side are snapped up; rubbish is snapped up."

He would be happier seeing businessmen going off-pitch to, say, Dagenham or Barking in the hinterland between east London and the motorway. "You can get sites at £150,000 an acre; I have seen £110,000 an acre. On that basis you could build a 100,000 sq ft shed for £3m freehold."

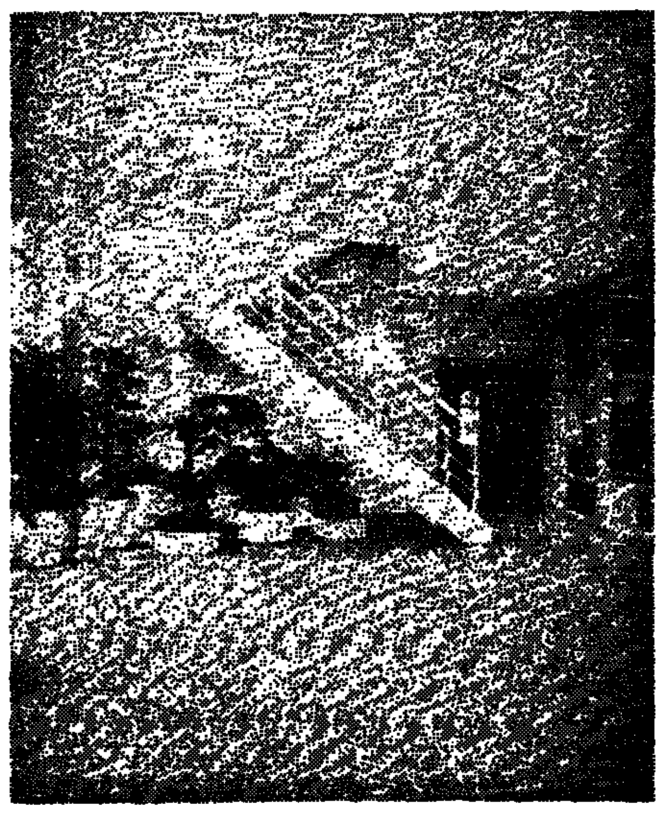
Mr John Homan, of Knight Frank & Rutley, comments on values at the other end of the scale: "The western quadrant reached £1.2m for hi-tech land and £1m an acre is still the norm. Development is occurring at the same sort of pace but people are being much more selective about what is, and what is not hi-tech site."

He finds this praiseworthy. "A lot of sites have been put to us with the hi-tech tag on them. That does not mean that the land is necessarily suitable. I would have had great doubts," he says, "about building even nursery units of some of it."

William Cochrane



Crosfield Electronics has pre-leased Scottish Provident's second scheme in Maxted Road, Hemel Hempstead, at more than £7 a sq ft



Sheraton Fraser Wood has achieved about £9 a sq ft rents for its County Oak high-tech scheme in Crawley

Office

To old manors reborn

MOST COMPANIES ask four or five fundamental questions of themselves when they think of office decentralisation says David Baker, office partner at agents Edward Erdman. He lists them:

● "Can we afford to move, considering redundancy and relocation costs and the general upheaval?"

● "Do I need to house back office staff and equipment in the City of London at rents of £30 a sq ft?"

● "Will there be a loss of business if I move?"

● "Where do we go?"

● "Will it be a finished development, or a building site?"

He adds another: "If I wanted 100,000 sq ft plus, how many buildings do I have to choose from?" He sees a choice of eight to 10 at most, scattered round the M25 rather than concentrated in a recognised office environment.

Harry Hyams, a developer in the traditional, entrepreneurial mould, hasa 221,000 sq ft building in his Oldham Estates development of Dukes Court, at Woking. Croydon has a lot of office space (total stock about 8m sq ft) but is is arguable whether it is really an M25 town.

Michael Dow, partner in charge of decentralised offices at Jones Lang Wootton, maintains that office size on the M25 is more a function of the planner than that of the developer.

"There is demand enough in the western quadrant to take any amount of space you could build," he says. "Norwich Union's 148,000 sq ft at Redhill went to Lombard North Central at the end of last year, before it was half way up," he observes.

"Surrey didn't want any office buildings if they could avoid them," he continues, referring to the richer counties' efforts to protect their green belt, up-market residential and general environment status with restrictive planning policies.

The Government has eased matters by frowning on local user restrictions which have said—in Hertfordshire, Surrey and elsewhere—that a developer had to find a company already resident in the country to let, or pre-let new space. But new problems are forming.

Recommended changes to use-class legislation, combining office and light industrial use into one business property class, would thereoretically promote the campus office—out of town, landscaped, lots of parking and dear to the heart of the US occupier.

However, Mr Dow says that it is difficult to get consents around the M25 where the green belt has left land in short supply. Period manor houses, old hospitals and even old industrial sites with land to spare and prospects for change of planning use have had to be converted to fit the campus office bill.

Meanwhile, he reckons that the M25 has not helped the London suburbs like Bromley and Croydon, as much as people expected. Uxbridge, he says, is the shining exception, with rental growth from £10 to £16 per sq ft over the past four years.

The question on campus offices, perhaps, is whether acceptance will be gained in easy stages—period properties coming back to life in Essex, and giving the planners something to applaud—or whether developers will have to go through fire in the "hot spots" of the western quadrant, around Heathrow.

Howard Wooleston of Knight Frank & Rutley thinks that Stockley should take on Hillingdon council, making an issue of getting prime office use for its 1½m sq ft Stockley Park business park development close to the airport.

Others may say that Stockley should not offend Hillingdon, its partner in the scheme along with the Universities Superannuation Fund, when it may have a number of development phases to go through. However, Mr Wolleston is convinced that the campus office will take an increasingly important proportion of the M25 market in the years to come.

"A large proportion of the market is motorway oriented," he says, "and there is increasing owner-occupation which looks to self contained locations, mostly on greenfield sites."

William Cochrane

Crawley

First in US style leases

LOCATED next to Gatwick Airport and the M23, Crawley is one of a clutch of towns around the southern arc of the M25—including Croydon, Bromley and Orpington—which leave many property people unmoved.

It is one of the original new towns and is now the second largest town in West Sussex with a population of around 85,000, say Harold Williams Bennett and Partners in a recent report, which notes that the expansion of Gatwick is expected to create employment for a further 11,900 people—on top of its present 15,000—in a variety of related jobs.

The main office locations in Crawley, says the report, are concentrated in the town centre and also beside the A23 London Road close to the County Oak roundabout.

The highest rent presently achieved in the town is £10.50 per square foot paid by Duracell which has leased the top floor of Griffin House in the High Street, a development undertaken by Midland Bank Pension Trust, Anfler Developments and Renslade. Also in the High Street is Ashdown House, a 34,500 sq ft development by Prudential Assurance and London Country Buses, where a rent of £11.25 per square foot is being asked.

In the town centre, The Galleria, a fully air-conditioned 40,000 sq ft headquarters office development situated in Station Road, is being undertaken by Guildborne Developments in partnership with Standard Life.

The building, which will be available by mid-1987, is arranged on four floors around a central galleried atrium with two wall-climbing lifts. There will be parking for 150 cars.

At present, there is some 100,000 sq ft of office accommodation being marketed in the town, with a further 90,000 sq ft of new space under construction.

Richard Piggott, founder and director of Guildborne Developments, says that the office market along the southern section of the M25 is extremely buoyant, with demand beginning to outstrip supply.

He says that Crawley is the first town in the UK to witness a major innovation in lease terms: Standard Life and Guildborne have introduced major new "American-style" leases on The Galleria.

The terms include a mutual break clause at 10th, 15th and 20th years with a tenants' break clause at the end of the fifth year. Cost savings elements incorporated in these terms include a fixed rental review at the fifth year; no legal costs to the ingoing tenant if the printed lease is agreed unaltered; and non recourse on assignment.

W.C.

Winnersh

Work restarts on business park

LESLIE LINTOTT'S recent M25 motorway map, detailing office and hi-tech accommodation present and proposed to the west of London, actually goes as far west as Reading. Slough Estates's Winnersh triangle development, therefore, comes well within its ambit.

The Winnersh Triangle, situated 1¼ miles north of Junction 10 of the M4 linking London, Bristol and south Wales, has been described as Europe's premier business park and is one of the largest new estates in the country.

Slough Estates, Britain's fourth largest property company, is developing the remaining 40 acres of land on the site, which adjoins and has a frontage of half a mile to the A329M which connects Reading with Bracknell, often called the hi-tech capital of the UK.

The total investment value of Slough's scheme will be in excess of £100m. The company says that this is one of the few business parks in the country which has its own direct line into the motorway system with an access road from the A329M leading into the site.

Slough says that the overall scheme is designed to create a spacious parkland environment in which high-quality buildings totalling in excess of 850,000 sq ft will be located. Retained letting agents are Fletcher King and Drivers Jonas.

The first phase of development, comprising about 150,000 sq ft of two and three storey high-tech accommodation, is due to commence in January 1987 and will represent the first speculative accommodation built on the site since 1981. At the same time, individual occupiers' requirements will be catered for in purpose-built facilities.

Travel times include a drive of less than 25 minutes to London Airport by motorway. British Rail's high-speed Inter-City 125 services from Reading (some 10 minutes drive from the site) provide links to London Paddington. 22 minutes, Bristol in 65 minutes and Cardiff in 100 minutes.

In addition the new British Rail station at the entrance to the park is now operational, providing a direct link to Reading and London (Waterloo).

Slough Estates acquired the freehold interest in the site when it took over Beta Properties in January. An architectural competition was sponsored by Slough in May to select an architect, and this was won by the Covell Matthews Wheatley Partnership.

W.C.

M25 PROPERTY 4

Dartford Crossing

Private funding bridges gap

THE Government's decision to appoint Trafalgar House to build a £200m suspension bridge over the River Thames at Dartford was a breakthrough for allowing private sector finance for major infrastructure projects that would normally be financed out of public spending.

It was also welcome news for motorists suffering in the traffic jams by the existing overloaded tunnels where the M25 crosses the Thames between Dartford and Dagenham, at a key point on the motorway where traffic flows of more than 90,000 vehicles a day have been recorded.

The bridge—which will be the longest cable stayed suspension bridge in Europe—is the first major infrastructure project in Britain to be entirely privately financed.

It will be designed, constructed, financed and operated by Trafalgar House's Dartford River Crossing Company, and when opened early in the 1990s, will provide an extra four lanes for southbound traffic and relieve congestion on the M25 round London.

It will have a main span of 450 metres—the longest of its type in the UK and one of the longest in the world—supported on towers 130 metres high, 54 metres above shipping on the Thames below.

One reason for the government's decision to choose Trafalgar House's bridge scheme was the need to relieve quickly congestion in the existing Dartford tunnels.

The number of vehicles using the existing two tunnels—completed in 1963 and 1980 and currently operated by Kent and Essex local authorities—has risen from 12m to 22m in five years, and is projected to reach more than 27m a year in 1990.

The Government's decision to choose the Trafalgar House scheme came as some surprise, since contractor John Mowlem, which had first proposed a £240m privately financed tunnel under the Thames, was widely regarded as the leading contender for the project among the seven promoters which put forward competing proposals for a privately financed crossing.

The Trafalgar House bridge was chosen not just because it is cheaper and will create much-needed jobs in the high unemployment areas of north-east England, but also—and importantly—because it will be much quicker to build.

The bridge will be completed in 2½ years compared with the four years estimated for a tunnel. Work will start as soon as it is given the go-ahead by Parliament—between April and September next year.

"It will also provide up to 5,000 man-years of employment, with many jobs in steel production and fabrication," said Mr Moore. The Mowlem scheme and the other tunnels proposed would have created direct construction jobs only in the south-east.

Trafalgar House estimates that 2,000 people will be working on the bridge at its peak. Some 1,000 will be employed at its Cleveland Bridge works in Darlington and at the British Steel plant in Redcar, and the remainder will be constructing the bridge at Dartford.

The bridge will be funded by what Trafalgar House Group chief executive Mr Eric Parker describes as a "unique package" put together by Kleinwort Benson, Cazenove and Bank of America.

The £200m package, involving £86m to build the bridge and the remainder for debt servicing and purchasing the tunnels, comprises loan stock placed with institutional investors and a bank facility led by Bank of America.

The investment will be repaid from tolls on the bridge and tunnels. These now range from 20p to £1.60 and will be increased only in line with inflation.

"The British Road Federation is pleased that the contract for the bridge will restrict future increases in tolls to rises in the retail price index, thus protecting us from extra excessive costs," said Mr Peter Witt, BRF director.

"But the BRF remains opposed in principle to the imposition of tolls on the trunk road system and will continue to call for their abolition. However, we welcome the decision to remove tolls on this crossing when the private concession ends."

The costs of the project will have to be recouped over the duration of Trafalgar House's concession, a maximum of 20 years. The bridge and original two tunnels will revert to the Government without payment as soon the the costs of the project have been recovered, which could take as little as 14 years.

The bridge is, as Mr John Moore, the Transport Secretary, was at pains to point out, "the first time we have, right at the start of a major new road project, involved the private sector fully, not only in designing the scheme but also in financing it.

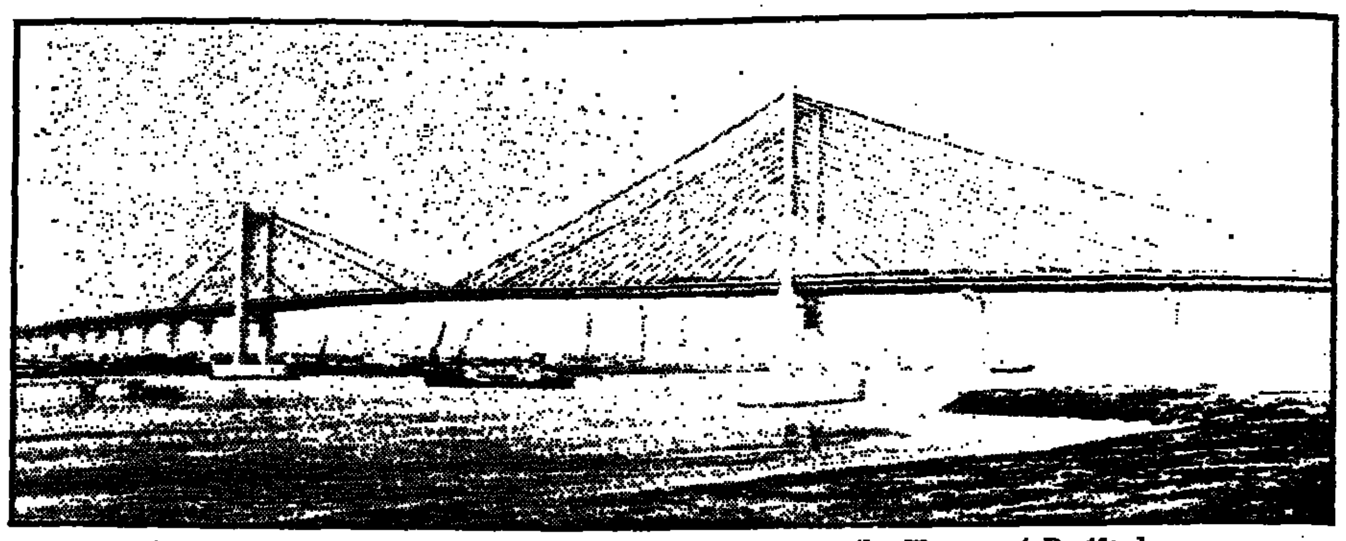
"This whole project approach is a major innovation allowing full potential for the benefits of private sector management and the motorist will get the benefit of this particular project over and above the Government's own roads programme."

The decision to allow Trafalgar House to go ahead with a privately financed scheme is a major reversal of policy. It follows a series of government refusals to sanction private funding for public projects in the UK—most notably its refusal in 1984 to allow Tarmac to fund and build a seven-mile stretch of road in the west Midlands.

The Government said then that the higher cost of raising funds in the private sector outweighed the economic benefits of accelerating the road-building programme.

The construction industry hopes that this will pave the way for other major private projects. Trafalgar House, for example, is already looking at the possibility of funding a £100m plus bridge across the River Severn, where the existing bridge it built more than 20 years ago is overloaded.

Joan Gray



The four-lane bridge proposed by Trafalgar House across the Thames at Dartford

Traffic

Fallible forecasters jam up drivers

THE M25 is a prime example of the fallibility of official forecasts. Built to relieve London's perennial traffic problems, the new motorway is already grossly overcrowded, with daily queues several miles long in some places.

On average, the busiest sections are carrying up to 115,000 vehicles a day, compared with Transport Department forecasts of up to 75,000. This compares with an average of around 40,000 a day on other motorways and a design maximum of around 85,000.

The flow of traffic in 1986 is higher on some sections than the DoT forecasts for maximum use in 1996. The most startling example is the Leatherhead interchange at junction 9, for which the DoT forecast a maximum flow of 28,000 vehicles a day by 1996. The actual level is already in excess of 70,000 vehicles a day.

Less dramatic examples include the Theydon Bois-Brentwood section between junctions 27 and 28, where the 1996 forecast was 55,000 vehicles a day and actual use is nearer 70,000. On the Dartford A2 section between junctions 31 and 32 where the 1996 forecast was 55,000, actual use is 85,000.

It was on the basis of these forecasts that the DoT decided to build most of the M25 to six-lane standard, with the exception of an eight-lane section between junctions 13 and 15 near Heathrow Airport.

The Government refused to accept criticisms of its forecasting methods while the motorway was being constructed, often claiming that critics were biased against roadbuilding. This tune has changed since the first sections of the road were opened and motorists began to complain about 10-mile tailbacks.

Ministers now acknowledge that the Transport Department's traffic flow projections were inaccurate, and a review of the entire motorway will take place once traffic patterns have settled down after the opening of the final section.

In the meantime, proposals have been announced for a bridge at Dartford to supplement the existing tunnel, and widening of a 5.6-mile stretch between Chertsey and Staines.

There are already warnings, however, that unless more extensive widening is carried out quickly the motorway will become a massive orbital bottleneck around London. The most pressing need is for extra lanes to the west and north-east of the capital, at an estimated cost of £400m to £500m at 1986 prices.

The question facing the DoT is how it was possible to underestimate the potential use of the new road so dramatically that the original cost of around £1bn has to be supplemented by around 50 per cent almost immediately?

There are two possible explanations for the difference between the department's forecasts and actual traffic flows.

The first is that the forecasting model used by the DoT simply reassigned journeys formerly made on other roads, without taking into account journeys generated by the motorway itself, particularly for local traffic. This derived from the Leitch Committee report on trunk road assessment, which concluded that attempts to predict traffic generation could cause serious errors.

At the time the report was published in the mid 1970s, the conventional wisdom was that oil prices would significantly deter car usage. This now appears to have been over pessimistic, and traffic generation is regarded as a more or less inevitable result of building a motorway in an area of high car-ownership such as the Home Counties.

A second explanation has been put forward by critics of the M25, including Movement for London, an umbrella grouping whose members include the London Region of the CBI, the Automobile Association, and commercial road users organisations such as the Road Haulage Association.

MfL claims civil servants at the Department of Transport produced two sets of forecasts for M25 traffic, one of which assumed the construction of an inner London ringway proposed by the Greater London Council. This forecast would have contained lower traffic projections than the alternative, which assumed the M25 would bear all London orbital traffic.

In the event, the ringway proposal was abandoned by the GLC in 1973. The accusation from MfL and others is that ministers and DoT officials proceeded on the basis of the lower traffic forecasts to minimise public opposition.

Kevin Brown

Contractors

£1bn workload winds down

WHEN THE M25 is completed with a grand tape-cutting ceremony on October 29th it will mark the end of one of the biggest projects in Britain's civil engineering industry.

The £1bn motorway—the world's longest city ring road, which will make it possible to drive right round London in two hours—has been a major source of income for the contractors for 11 years.

It has meant contracts worth a total of £631.5m for the civil engineering companies, with the remainder of the £1bn being spent on such things as land acquisition, consultants' fees and traffic control systems.

Two contractors have led the field: Laing, with eight contracts worth a total of £135m; and Balfour Beatty, with eight contracts worth a total of £131m.

Tarmac and Costain, each won three civil engineering contracts worth a total of £62.8m and £58.1m respectively, and cementation with two contracts worth £51.7m.

The two most difficult contracts, according to the Department of Transport, were the Holmesdale and Bell Common tunnels. The 650 metre Holmesdale Tunnel, near the diverted River Lea Navigation, was built by Tarmac for £28.6m between September 1980 and January 1984; the 470 metre Bell Common tunnel, on the fringes of Epping Forest, was built by Laing for £29.1m between June 1981 and January 1984.

Both were cut-and-cover tunnels—constructed on the "trench with a lid on" principle—and the Holmesdale tunnel by the Lea Navigation required extensive pumping to keep it dry.

The tunnels demonstrate the sophisticated traffic control equipment required on the motorway, with electronic surveillance equipment and television cameras linked to the local police station ot supervise the vehicle flows.

Britain's largest contractor, Wimpey, won only one major M25 contract, £25.3m for building the 4.3 miles stretch from Thorney Mill to Iver Heath. But this short stretch of road amply illustrates the problems all the contractors have had to overcome in building a major motorway through the most densely populated and built-up part of the UK.

The contract also covered 13 bridges and a total of 17 structures crossing the road, including bridges over the main British Rail western region line, the Grand Union Canal and four commuter routes.

All the commuter roads had to be temporarily diverted while the motorway bridges were being built.

And, as a final difficulty, an asbestos tip lay on the line of the motonway in this section.

Since it was neither possible to remove the asbestos completely nor make the tip sufficiently safe to found the carriageways on, consulting engineers Sir William Halcrow advised constructing a piled raft of the 25ft length of the tip to carry the six-lane motorway.

Joan Gray

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	49	‡Broad St. Grp.10p	50	......	b1.1	2.2	3.1	20.7
§100	F.P.	—	109	102	‡Citygrove 10p	102	–3	R2.5	2.7	3.5	14.8
§130	F.P.	17/10	198	152	‡Creighton Labs 20p	198	......	U3.7	2.2	2.6	24.0
160	F.P.	24/10	146	123	Euro Home Products 5p	143	......	R4.25	2.5	4.2	11.1
§105	F.P.	16/10	112	103	‡Eve Construction	105	......	b4.5	3.2	6.0	7.4
§135	F.P.	24/10	166	145	‡Great Southern 10p	160	–5	R5.2	2.2	4.6	13.7
	F.P.	—	28	27	Group Development	28	......	—	—	—	—
§135	F.P.	24/10	215	145	‡Local London Group 5p	215	+7	W5.0	1.8	3.3	24.2
110	F.P.	5/11	126	119	Marlbor'gh Tech Man 5p	126	+3	R2.70	3.1	3.0	12.7
§105	F.P.	24/10	160	133	‡Miller & Santhouse 5p	160	+3	u2.25	2.4	2.0	29.9
—	F.P.	—	31	27	New Australia Inv Wrts	31	+1	—	—	—	—
§75	F.P.	24/10	79	73	‡Newage Trans 5p	75	+1	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	......	—	—	—	—
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
135	F.P.	24/10	164	151	Saxtell Perkins 10p	164	......	u3.8	2.9	3.3	15.1
100	50	14/11	102	82	TSB	84	......	W4.26	3.7	4.5	10.3
¶‖	F.P.	—	385	335	‡Utd. Trust & Credit £1	335	......	u14.0	2.1	5.9	11.6
§160	F.P.	—	179	175	‡Whinney Mackay 10p	175	......	R4.0	3.0	3.2	14.4
125	F.P.	10/10	156	136	Yorkshire TV	153	+5	R6.25	2.4	5.8	10.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
‖	Nil	13/11	1½pm	½pm	Comtech Finance 11½% Cnv. Uns. Ln. 1996	¾pm	......
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	11¾	+¼
§100	£10	29/1	10¾	9½	Essex Water 11¼% Red. Deb. 2002-04	10½	+1
‖	Nil	14/11	9pm	6pm	‡Goodhead Print 7% Cnv. Red. Prf	9pm	......
§100	£10	15/5	9½	2½	Mid-Sussex Water 11% Red Deb2012-16	3¾	+1¼
§99.957	£25	24/10	25¾	22¼	Nationwide 3¾% IL Ln. 2021	23¾	+¼
—	F.P.	—	100⅝	98¾	Do 10⅝% 21/9/87	98¾	......
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19½	–¾
—	F.P.	—	116p	104p	Scott. & Newcastle 7% conv. Pref. £1	116p	+2
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cap. red. Pref. 1999	116p	......
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	+1
¶¶	F.P.	—	104p	101p	Williams Hldgs 5¾% Cum Cnv Prf	102p	–1

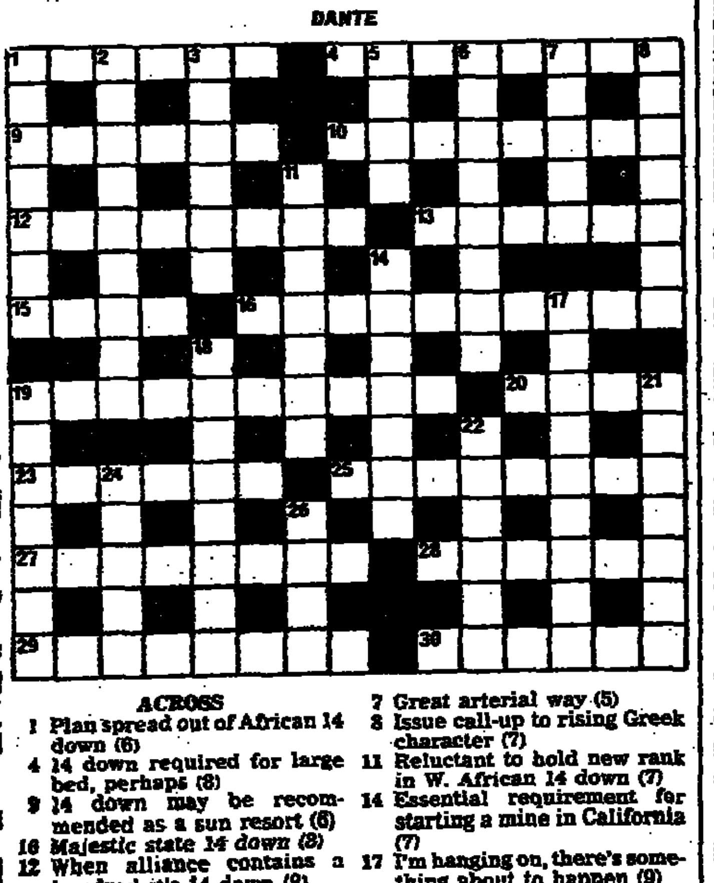
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
125	Nil	21/11	19pm	8pm	Appleyard Group	19pm	......
140	Nil	25/11	24pm	21pm	Banro Inds. 20p	23pm	......
180	Nil	5/12	9pm	2pm	Beazer (C.H.) 10p	2pm	......
90	Nil	—	10pm	9pm	Bryant Hldgs.	9pm	......
195	Nil	24/10	18pm	3pm	Bond	4pm	......
71	Nil	24/11	6pm	4pm	Burns Anderson 10p	4pm	......
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	......
30	Nil	25/11	9pm	3pm	Leisuretime Intl.	3pm	......
18½	Nil	—	1½pm	1½pm	Norfolk Cap 5p.	1½pm	......
160	Nil	—	50pm	32pm	Parrish (J.T.) 5p	50pm	......
5	Nil	21/11	1pm	½pm	Platignum 5p	1pm	......
140	Nil	19/11	28pm	13pm	Tilbury Group	25pm	–3
50	Nil	19/11	7pm	5pm	Thurgar Bardex 10p	7pm	......
60	Nil	11/11	11pm	8pm	Western Selection 20p	9pm	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,153

DANTE



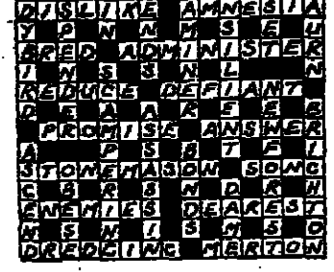
ACROSS

1 Plan spread out of African 14 down (6)
4 14 down required for large bed, perhaps (8)
9 14 down may be recommended as a sun resort (6)
10 Majestic state 14 *down* (8)
12 When alliance contains a hundred it's 14 down (8)
13 A 14 down rank Arabs hold (6)
15 A study of Asian 14 down (4)
16 Naive art produced around an island 14 down (10)
19 14 down example of a Communist walled city (4, 6)
20 I pop back to a 14 down (4)
23 Advocates breaking into stolen Tasmanian 14 down (6)
25 Shrew's tail cut by chap from the French 14 down (8)
27 Bill returns to unusually barren 14 down (8)
28 Ex-14 down sort of paper (6)
29 We'll go in to order African 14 down (8)
30 Quietly argue about 14 down (6)

DOWN

1 A universal sign of Buddhists (7)
2 They adopt some strange attitudes (9)
3 Do a rush job on the roof? (6)
5 Big lake up country (4)
6 A regent's devious approaches (4, 4)
7 Great arterial way (5)
8 Issue call-up to rising Greek character (7)
11 Reluctant to hold new rank in W. African 14 down (7)
14 Essential requirement for starting a mine in California (7)
17 I'm hanging on, there's something about to happen (9)
18 Terrier breed Ena transformed (8)
19 Latch that is made right (7)
21 Lavish praise (7)
22 I'm not one to weaken (6)
24 Commonplace restriction on a learner (5)
26 Collect one's pay with a minor rise (4)

SOLUTION TO PUZZLE No. 6,152



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dat Gilt Fd	88.0	69.1	+0.1	–
U.S. Govmt Bond Fd	50.513	0.516		–

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convt'l & Equity Tst	48.5	51.7	+0.2	7.59
Growth Trust	51.9	55.3	+0.4	2.24
Income Trust	54.0	57.5	+0.6	5.04

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.5	74.0		2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	129.0	137.3	+0.1	3.14

INSURANCES

AA Friendly Society
(Investment Mngt M & G Fin Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.8		–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser 1	206.9	217.8		–
Equity Ser 1	101.9	107.3	+1.4	–
Prop. Acc. Ser 2	278.5	293.2		–
Equity Ser 2	110.7	116.6	+1.5	–
Selective Acc.	235.7	248.2	+1.6	–
Prop. Ser. 4	220.3	231.9		–
Equity Ser 4	113.9	119.9	+1.3	–
Fixed Int. Ser. 4	175.0	184.3	–0.2	–
Indexed Inv. Ser. 4	110.0	115.8	–0.2	–
American Ser. 4	257.9	271.5	+2.7	–
High Inc. Ser. 4	287.9	303.1	+3.1	–
Japan Ser 4	234.3	246.7	–1.7	–
Man. Ser 4	347.8	366.2	+1.4	–
Money Ser. 4	196.7	207.1		–
European Ser 4	123.7	130.3	+0.1	–

Pension Funds

Property	357.7	376.6		–

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City of Westminster Assurance—Contd.

Far East Fund	213.7	225.0	–4.1	
North American Fund	171.9	181.0	+2.1	
Natural Resources Fund	144.9	152.6		
Pension Managed Fund	376.0	395.8	+0.1	
Pension Equity Fund	242.0	254.8		
Adventurous Mngd Fd	118.8	125.1	–0.4	–
Balanced Mngd Fd	117.1	123.3	–0.1	–
Conservative Mngd Fd	110.4	116.3	–0.1	–
European Fund	108.2	113.9	+0.4	–
International Fund	115.8	121.9	–0.5	–
S.U.M. Fuguing Fo	126.1	132.8	+1.2	–

For other prices please telephone 0908 606101/660066

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	132.7	139.7	–0.1	–
Equity	150.0	157.9	+0.1	–
Property	109.7	115.5		–
Gilt & Fixed Interest	106.8	112.5	–0.2	–
Indexed Securities	98.0	103.2	–0.2	–
Cash	108.0	113.7		–
North American	108.6	114.4	+0.4	–
Far East	128.3	135.1	–1.0	–
International	126.1	132.8	–0.2	–
Special Situations	142.9	150.5	–1.3	–
International Income	140.2	147.6	–0.2	–
American Income	118.3	124.6	+0.1	–
European	151.3	159.3	–0.7	–

Flexible Retirement Plan

Mixed	136.1	143.3	–0.3	–
Equity	143.5	151.1	–0.4	–
Property	115.3	121.4		–
Gilt & Fixed Interest	112.8	118.8	–0.1	–
Indexed Linked	99.8	105.1	–0.1	–
Cash	116.0	122.2		–
North American	113.9	119.9	+0.5	–
Far East	143.7	151.3	–1.5	–
International	133.7	140.8	–0.3	–
Special Situations	160.3	168.8	–2.0	–
European	175.4	184.7	–1.0	–

Executive Investment Pension Plan
Prices on October 8. Unit dealings on Wednesday

Cash Fd.	139.8	147.2		–
Mixed Fd.	188.3	198.3		–
Fixed Int. Fd.	140.9	148.4		–
UK Equity Fd.	219.0	230.6		–
Property Fd.	134.0	141.1		–
Overseas Fd.	191.5	201.6		–

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qr
Mtx. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.05	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.50	7.85	11.44	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.50	7.86	11.46	Qr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	10.50	7.85	11.46	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.00	0.75	1.06	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.00	10.18	Mth
For other rates please 'phone our Hotline 01-583 8629				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qr
£2,500 +	9.38	7.00	10.12	Qr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	10.5	7.85	11.46	Mth
Legal & General (Money Mngrs) Ltd				
359 Euston Road, NW1 3AG 01-388 9211				
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qr
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	10.37	7.75	11.32	Daily
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.97	7.45	10.79	Qr
£10,000 +	10.30	7.70	11.16	Qr
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	10.13	7.57	11.0879	—
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	10.25	7.625	11.05	Qr
£10,000 and above	10.375	7.75	11.24	Qr
Oppenheimer Money Mngmt Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	10.625	7.94	11.52	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.625	7.94	11.52	Qr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	11.00	8.22	12.02	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.37	7.00	10.13	Qr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.03	7.50	10.97	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	10.67	7.97	11.57	Qr
Money Acc	9.69	7.25	10.49	Qr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.75	7.29	10.61	Mth
Over £10,000	10.00	7.48	10.90	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 5SE 0752 224141				
High Int Chq Acc	10.25	7.66	11.10	Qr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.0	8.22	11.94	Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (Shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	36
BTR	28	Racal Elect.	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	26
Gen Electric	17	Land Secs.	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min.	2½
GKN	32	Brit Petroleum	48
Hanson Tst.	16	Burmah Oil	30
Hawker Sidd	48	Charterhall	4
ICI	55	Premier	3½
Jaguar	38	Shell	55
Ladbroke	32	Tricentrol	11
Legal & Gen	24	Ultramar	16
Lex Service	28	**Mines**	
Lloyds Bank	38	Cons Gold	40
Lucas Inds	52	Lonrho	24
Marks & Spencer	18	Rio T Zinc	50
Midland Bk.	44		
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Opec deadlock continues

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries (Opec) was deadlocked yesterday over whether external indebtedness should be included among the criteria for redistributing output quotas. Debate was heated at the morning's closed session, and at one point Mr Arturo Hernandez Grisanti, Venezuela's chief delegate, was understood to be on the point of walking out as he clashed with Arab producers.

The lack of any progress cast a shadow over oil markets, which on Tuesday and Wednesday had been showing some signs of improved confidence. In London Brent prices dropped by 40 cents a barrel to about $13.70, while in New York the price of West Texas Intermediate in the morning drifted by 40 cents to about 14.40.

It looked last night almost certain that this marathon meeting would last into next week. The majority of members were still in favour of a simple rollover until the end of the year of the existing interim accord, scheduled to expire at the end of October. They thought the further discussion about the next question of redistribution of quotas should be deferred until early December. As yet, however, the demand from Kuwait for a higher allocation in the last two months of 1986 has not been withdrawn.

There was unanimous agreement that three factors recommended by the experts should be used in calculating shares—oil reserves, production capacity and historic market share.

Three others which have been adopted in principle (contingent on a compromise on the question of external debt) are internal consumption of oil, petroleum as a proportion of foreign exchange earnings and size of population.

In the last analysis criteria and weighting will have to be adjusted to create a formula as close as possible to what can be politically acceptable to the Government's of member states. Ministers had not this afternoon begun discussing the weights should be given to different factors.

The issue of foreign liabilities is a particularly contentious one, not least because of the problem of definition.

Naturally the most heavily indebted countries—Venezuela, Indonesia and Nigeria—are anxious to maximise its importance in any distribution system while Saudi Arabia, Kuwait and the United Arab Emirates want to play it down.

External indebtedness has presented a particular problem of definition in the absence of consistent and comprehensive data.

One used in the discussions but relating only to gross liabilities and providing ammunition for the heavyweight producers of the Gulf is the set of statistics produced by the Organisation for Economic Development and Co-operation and the Bank for International Settlements.

The most recent, for end-1985, shows Saudi Arabia had foreign debts to banks and non-bank trade related debts of $13.42bn, Kuwait $8.75bn and the United Arab Emirates of $8.67bn—nearly all of it private sector liability. Conversely, the International Monetary Fund's monthly statistics recording reserves reveal little about the foreign assets deployed by the Saudi Monetary Agency and nothing of those in Kuwait's reserve funds.

Marc Rich 'tolling' deals reopen US aluminium plants

BY DAVID OWEN IN CHICAGO

CLARENDON, the US affiliate of Marc Rich, the Swiss-based commodities trader, recently signed its third agreement in less than a year to have alumina smelted at a US facility. All told, the three deals will yield the company some 210,000 tonnes of aluminium per year from plants located in Oregon, Ohio and South Carolina.

The agreements are on a "tolling" basis, which means that the smelter merely provides a service for the customer, which retains ownership of the material.

The most recent arrangement involves one 40,000-tonnes-per-year potline at The Dalles, Oregon — a small 80,000-tonnes-per-year capacity plant, idle since 1984. The Marc Rich affiliate is believed to have provided working capital for restarting the smelter.

The company last month signed to take over Revere Copper and Brass's 70,000-tonnes-per-year commitment to smelt material through the strikebound Hannibal smelter, recently purchased by Ohio River Associates. This followed the signing of a tolling contract with Alumax earlier in the year, covering about 100,000 tonnes of metal to be produced at the latter's Mount Holly facility in South Carolina.

A Clarendon official said that the agreements enabled the company to secure metal "at a cost that is very competitive." He denied that they formed part of any long-term strategy to increase the company's US involvement.

But the trader certainly seems to be beefing up its long-term presence in the physical aluminium market. In addition to the US tolling deals, Clarendon recently agreed to take the metal output from First National Resource Trust's 10 per cent stake in the Portland smelter in Australia, due on stream by the end of the year. The agreement covers a minimum 127,500 tonnes of aluminium over five years.

In all three cases the contracts will be of about 10 years' duration, with alumina supplied from Marc Rich's substantial worldwide holdings. Tolling deals have long been a feature of the company's approach to aluminium. But past agreements have tended to focus on Europe and North Africa.

Wave of strikes petering out

BY DAVID OWEN

THE WAVE of strikes which has plagued the US aluminium industry since the second quarter of this year appears to be drawing to a close. Settlements have been reached at two smelters since the beginning of October and distinct progress is apparent at a third.

The most recent deal was made this week at Noranda Aluminium's 225,000 short tons per year New Madrid smelter in Missouri. The plant's 900 unionised workers accepted a concessionary three year package involving overall wage and benefit reductions of some 14 per cent—marginally less than the company was seeking.

This followed acceptance by workers at Commonwealth Aluminum's Goldendale facility in Washington state of a similar three-year concessionary package, calling for initial wage/benefit cuts totalling $1.73 an hour.

A Noranda spokesman said that it may be a year before the plant is running at full capacity. The rate had fallen to some 60 per cent of the maximum during the six-week dispute. At Goldendale, output will double from current levels to 100,000 short tons per year by the year end but will remain well below the smelter's nominal 185,000 short tons capacity.

News of the Goldendale settlement appeared to prompt a change of heart among striking workers at Alumax's Eastalco plant. Union members voted at the weekend to modify their previous determination not to consider concessionary offers, the company said. Talks between union officials and management have since resumed, it added.

A settlement at Eastalco would leave just Alcan's Sebree Kentucky smelter and the Hannibal Ohio plant, recently purchased by Ohio River Associates, still affected by protracted labour disputes.

Compromise studied at rubber talks

PRODUCER AND consumer delegates were yesterday studying a new compromise aimed at breaking the deadlock at talks on a new International Rubber Agreement, reports Reuter from Geneva.

Today is the effective deadline for finalising a new pact to replace the current one when it expires in October 1987.

In an attempt to resolve a dispute over what currency should be used for denominating reference prices the meeting's chairman, Mr Manaspas Xuto, with the aid of the UN Conference on Trade and Development, has drawn up a plan calling for denomination in Malaysian ringgits, as the producers would prefer, with 12-monthly revisions instead of the current 18 months.

Consumers have been seeking still more frequent price revisions and denomination in Malaysian/Singapore cents as at present

Sobering thoughts for US farmers

BY ANDREW GOWERS

DOGGED OPTIMISTS in the Reagan Administration who claim that American agriculture is in a position to export its way out of trouble will find sobering reading in a report just published by Congress.

US farm trade may have been liberated from the twin yokes of the strong dollar and artificially high support prices (loan rates) in the past year or so. But according to the report, from the Congressional Office of Technology Assessment (OTA), a considerable proportion of US output is likely to remain uncompetitive in the present fierce world market conditions—especially since international agricultural trade has declined during this decade as developing countries have reined in their imports.

The report makes clear that the US is more vulnerable to a shrinkage in farm trade than other exporters; compared with Canada and Australia, for example, America has experienced a proportionately larger decline in exports of both wheat and coarse grains since the early 1980s.

Citing its own work and research by the US Department of Agriculture, the OTA tentatively suggests that on-farm production costs are simply too high in the US to enable many American farmers to shape up to foreign competition. Whilst cautioning that this subject is a notoriously difficult one to asses, the report says:

"The fact that most variable costs reported for other countries are comparable or below costs in the better US growing regions suggests that this country does not enjoy a significant advantage in on-farm production costs."

Furthermore, it reveals a startling variety of costs in the different US regions, highlighting the competition between American farmers. Taking what it calls "representative" maize, wheat and soyabean enterprises of three different sizes in four different locations, the OTA found maize production costs ranging between $1.67 and $3.21 per bushel; wheat costs between $2.05 and $3.91 (a gap between lowest and highest of more than 90 per cent); and soyabean costs between $3.32 and $6.02.

Costs were particularly high in south central Nebraska for wheat and the Mississippi delta for soyabeans, while western Kansas enjoyed a significant advantage in wheat.

These are assertions which strike at the heart of many US farmers' fond belief that they can take on the world.

Among factors cited for the lack of competitiveness and the poor performance of US exports are:

● The relatively poor quality of US grain. "Recently there has been a sharp increase in foreign complaints concerning the quality of US grain stocks," notes the OTA, promising a further investigation of this topic in the future.

● Advances in agricultural technology worldwide, which mean that US farmers enjoy the fruits of innovation for shorter and shorter periods these days, and diminish the traditional advantage which the US has derived from its vast arable areas. "Many technologies permit significant increases in yields per acre, diminishing the comparative advantage of large US land areas in a period of surplus production capacity," it says.

● America's apparent backwardness in developing exports of so-called "high-value" agricultural products (HVPs). The report points out that other countries, such as those in the EEC, have moved to boost processing industries and boost exports of semi-processed agricultural goods, the US has tended to stick to the basic low-value commodities in which it reaped such a bonanza during the 1970s.

In fact, the high-value product sector has been less affected by the downturn in agricultural trade in recent years, and now surpasses the value of trade in bulk commodities. But the US share of the sector—with products such as soyabean meal (as feed for livestock production), processed grain, meat, dairy, fruit and vegetables—has changed little since 1970. Rather scathing, the report concludes "The United States has not performed impressively within this dynamic arena of world agriculture."

Nor does the OTA offer much scope for optimism that the underlying ability of US agriculture to compete *profitably* is improving. Administration officials like to say that the current shake-out on the farm belt will create a leaner and fitter agricultural industry.

But the report underlines once again that the only thing keeping most US farmers alive today is the unprecedented outpouring of Government subsidies unleashed by the 1985 Food Security Act (the farm bill). The point, it says, is not whether US agriculture can regain the market share it had in the halcyon days of the 1970s, but "whether US producers can profit from their exports."

That is a question which the EEC agricultural industry — much of which is arguably in an even worse position as far as competitiveness goes — would do well to ponder.

"A Review of US competitiveness in Agricultural Trade, Congress of the United States, Office of Technology Assessment."

CEREAL PRODUCTION COSTS (1980-82 average, US cents a lb)

WHEAT	
US average	1.54
Corn Belt/Lake States	1.45
North Plains	1.37
Central Plains	1.28
Canada (Saskatchewan)	1.22
Australia	2.84
MAIZE	
US average	1.22
Corn Belt/Lake States	1.13
Argentina (Pergamino)	0.87
SOYABEANS	
US average	1.97
Corn Belt/Lake States	1.46
Brazil (Southeast)	1.84
Argentina	1.73

Source: USDA

Duty threat boosts US lumber market

By David Owen in Chicago

SOFTWOOD LUMBER prices rose sharply yesterday on the Chicago Mercantile Exchange for the second day, as traders anticipated the possible imposition of a countervailing duty on US imports of Canadian material.

By mid-morning, the nearby November contract was trading at $177 per 1,000 board feet, an increase of $8.20 since Tuesday's close.

The US Commerce Department was scheduled to rule yesterday on a request by the US Coalition for Fair Lumber Imports to offset alleged Canadian subsidies with a massive 32 per cent import tariff. If imposed at the level requested, it is believed that the tariff would constitute the largest countervailing duty in US history.

Although the Commerce Department turned down a similar request in 1983, observers were at this time anticipating that a duty will be imposed, albeit at a lower level than the CFLI is requesting. "The feeling is that it could be between 15 and 20 per cent, maybe even higher," projected Mr Steve Platt, an analyst with Dean Witter Reynolds.

Canadian "stumping" or tree-cutting policy is at the centre of the current dispute. In the US, companies have to bid well in advance for the right to cut given trees—a practice which makes accurate price forecasting essential. In Canada, these are generally determined by provincial governments, who can lower them when prices fall

Canada last year supplied about 33.5 per cent of US softwood lumber requirements, up from below 25 per cent in the late 1970s. Its market share declined marginally to 32.3 per cent in the first quarter of 1986, however. Lumber prices have been further bulled since late July by a still unresolved strike by Canadian loggers and sawmillers. This has particularly affected production in British Columbia—the province which last year accounted for 61 per cent of Canada's 22.8bn board/feet total softwood lumber production.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,550-2,650.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.35-2.50.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 1.00-1.03, sticks, 1.00-1.03.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 5.50-6.00.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 130-150.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.18-3.32.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.25-5.50.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 31-42.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.47-2.54.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

LONDON MARKETS

ZINC PRICES came under pressure in thin trading on the London Metal Exchange yesterday. An £8.50 fall in the cash position to £610 a tonne took the decline on the week so far to £16. Prices initially moved up a little from the levels reached in after-hours trading on Wednesday, but the move was not sustained. The subsequent fall was attributed to talk that the tightness of supplies available for immediate delivery was easing following the delivery of material from the Far East into LME registered warehouses. This was reflected in a further narrowing of the cash premium over three months metal to £1.50 a tonne from £2.75 at Wednesday's close and £10 at one stage last week. On the coffee futures market the recent pattern of continual wide fluctuations continued. The January position, which on Wednesday had recouped Tuesday's £60 fall, added another £40 to reach £2,262.50 a tonne. But the prompt November position which had gained £122.50 on Wednesday, ended £5 down on the day at £2,267.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	810-10.5	—3.25	814/818.5
3 months	819-20	—	825/819

Official closing (am): 812.5-3 (817-7.5), three months 820-0.5 (822-2.5), settlement 813 (817.5). Final Kerb close: 819-9.5. Turnover: 11,375 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	916-7	+0.75	918/916
3 months	945-5.5	+1.5	947/941

Official closing (am): Cash 916-6.5 (917-8), three months 941-1.5 (942-2.5), settlement 916.5 (918). Final Kerb close: 945.5-6.

Standard			
Cash	893-4	—	891/891
3 months	919-21	+1.0	—

Official closing (am): Cash 891-2 (894.5-5), three months 918-9 (918-20), settlement 892 (895). US Producer prices 62.00-66.00 cents per pound. Total turnover: 52,000 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	304.5-6	—5.25	303/302
3 months	304-5	—1.0	311/302

Official closing (am): Cash 302.5-3 (314-5), three months 302-2.5 (308.5-9), settlement 303 (315). Final Kerb close: 308-7. Turnover: 16,450 tonnes. US Spot: 24.00-26.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2530-31	—14.5	—
3 months	2585-6	—16.0	2600/2587

Official closing (am): Cash 2540-5 (2550-60), three months 2596-7 (2605-7), settlement 2545 (2560). Final Kerb close: 2585-9. Turnover: 1,416 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.15 (14.12) ringgit per kg. Up 0.03 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	609.5-10.5	—8.5	608.5/608.5
3 months	608-9	—7.25	613/608

Official closing (am): Cash 608.5-9 (620-2), three months 607.5-8 (616-7), settlement 609 (622). Final Kerb close: 611-2. Turnover: 20,425 tonnes. US Prime Western: 44.00-47.50 cents per pound.

GOLD

Gold rose $2½ on the London bullion market yesterday, to close at $425½-426. It opened at $424-424½ and was fixed at $426 in the morning and 425½ in the afternoon. The metal touched a peak of $426½-427 and a low of $424-$424½.

GOLD BULLION (fine ounce) Oct. 16

Close	$425½-426	(£295½-296)
Opening	$424-424½	(£293¾-294¼)
M'ng fix	$426.00	(£295.335)
Aft'n'n fix	$425.50	(£294.871)

GOLD AND PLATINUM COINS: [illegible]

SILVER

Silver was fixed 1.7p an ounce lower for spot delivery on the London bullion market yesterday at 396.75p. US cent equivalents of the fixing levels were: spot 568.9c, down 1.15c; three-month 584.85c, down 1.15c; six-month 573.15c, down 1.1c; and 12-month 598.25c, down 1.95c. The metal opened at 395-396½p and closed at 397-398½p (567-569c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	396.75p	—1.70	396p	+5
3 months	397.30p	—1.95	396p	+5
6 months	408.15p	—1.90		
12 months	426.10p	—2.20		

LME—Turnover: 18 (10) lots of 10,000 ozs.

Three months high/low 395p, final kerb 395-7p.

SOYABEAN MEAL

	Yest'rd'ys close	+ or —	Business done
	£ per tonne		
October	[illegible]		
Dec	[illegible]		
Feb	[illegible]		
April	[illegible]		
June	[illegible]		
August	[illegible]		
October	[illegible]		

Sales: 1 (190) lots of 20 tonnes.

REUTERS INDICES

Oct. 16	Oct. 15	M'th ago	Year ago
1561.9	1561.0	1506.4	1703.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 15	Oct 14	M'th ago	Year ago
Spot	122.46	122.08	—	116.66
Fut	122.95	122.74	—	117.56

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 16 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1275/285	—5	$1250/260
Copper			
Cash Grade A	£916.5	+0.25	£934.5
3 mths	£943.25	+1.5	£955.25
Gold Troy oz	$425.75	+2.5	$419.75
Lead Cash	£305.25	—5.25	£279
3 mths	£304.5	—1	£282.75
Nickel			
Free Mkt	186/196c	—1	184/194c
Palladium oz	$135.50	+1	$144.00
Platinum oz	$574.00	+7.75	$560.50
Quicksilver†	$150/170		$135/155
Silver troy oz	396.75p	—1.70	390.30p
3 mths	397.30p	—1.95	399.45p
Tin			
free mkt	£5569/570	+10	£5760/80
Tungsten	$50.08		$51.25
Wolfram 22.0lb	$34/44		$35/45
Zinc	£610	—8.5	£593.5
3 mths	£608.5	—7.25	£595.25
producers	$880		$820
OILS			
Coconut (Phil)	$312.5y		$245
Palm Malayan	$252.5v	+2.5	$205
Copra (Phil)	$195		$155
Soyabean (U.S.)	$151y		$164
GRAINS			
Barley Fut. Jan.	£109.60		£108.50
Maize	£144.00	—1	£154.00
Wheat Fut. Jan.	£108.80	—0.10	£107.10
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1563.5	+8	£1570.5
Coffee Ft. Jan.	£2262.5	+50	£2465
Cotton A Ind.*	52.00c	—0.65	44.30c
Gas Oil Dec.	$124	—1.75	$125
Rubber (kilo)	67.p		65p
Sugar (raw)	$137y	+5	$118
Wooltops 64s	487p kilo		496p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. v Dec-Jan. z Dec-Jan. Feb.

COFFEE

After posting significant early losses robusta futures made a strong recovery in somewhat confused trading, reports Drexel Burnham Lambert. Nearbys showed a stronger tone particularly in the afternoon as dealer buying prompted general short-covering. Physicals remained quiet, particularly robustas.

COFFEE	Yesterday's close	+ or —	Business Done
Nov	[illegible]		
Jan	[illegible]		
Mar	[illegible]		
May	[illegible]		
July	[illegible]		
Sept	[illegible]		
Nov	[illegible]		

Sales: 6,418 (13,615) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 15: Comp daily 1979 163.12 (159.15); 15-day average 170.98 (172.53).

COCOA

Futures opened steadier as due and remained well supported throughout a quiet session, closing near the top of the day's trading range. Actuals business was mostly confined to the second-hand market, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business Done
	£ per tonne		
Dec	[illegible]		
March	[illegible]		
May	[illegible]		
July	[illegible]		
Sept	[illegible]		
Dec	[illegible]		
March	[illegible]		

Sales: 1,712 (2,411) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for October 16: 95.41 (94.51); five-day average for October 17: 94.17 (93.70).

POTATOES

The market continued to rise, with weather doubts causing some nervousness and volume restricted. Closing tone was firm, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	107.00	106.50	107.80
Feb	118.00	116.50	118.00
Apr	168.00	163.70	168.80-166.00
May	186.00	180.00	188.00
Nov	88.50	89.50	—

Sales: 863 (1,427) lots of 40 tonnes.

GRAINS

Wheat eased on consumer and shipper selling then rallied on trade short-covering. Barley values fell on intervention release pessimism, before firming strongly on shipper buying, to close steady. New crops steadied in reaction to the recent downward trend on both wheat and barley, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yest'rdy's Close	+ or —
Nov	107.25	—0.10	107.80	—0.20
Jan	108.80	—0.10	109.60	—
Mar	111.40	+0.30	111.60	—
May	113.65	—0.05	113.00	—
July	115.20	—0.45	—	—
Sep	101.10	+0.30	101.10	+0.20
Nov	103.65	+0.35	103.65	+0.25

Business done—Wheat: Nov 107.30-7.10, Jan 108.85-8.50, March 111.40-1.30, May 113.70-3.40, July and Sept untraded, Nov 103.50. Sales: 199 lots of 100 tonnes. Barley: Nov 107.80-Jan 109.80-9.20, March 111.60-1.25, May 113.00, Sept untraded, Nov 103.50. Sales: 503 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Oct 99.75, Nov 100.75, Dec 102.00. US No 2 soft red winter Nov 106.25, Dec 107.25. French 11½-12 per cent Oct 132.00. English feed fob Oct 110.00, Nov 111.00, Dec 112.00, Jan-March 113.25, April-June 116.50 sellers east coast. Maize: US No 3 yellow/French transshipment east coast Oct 144.00. Barley: English feed fob Nov 114.50, Dec 115.00 sellers Jan-March 115.25-116.00 buyer/sellers.

HGCA — Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne): Feed barley: S. East 107.60, S. West 106.60, W. Mids 106.80, N. West 104.60. The UK monetary coefficient for the week beginning Monday October 20 is expected to change to 1.274.

RUBBER

PHYSICALS — The London market opened about unchanged, found little interest and closed idle, reports Lewis and Peat. Closing prices (buyers): Spot 67.00p (same); Nov 65.75p (same); Dec 65.75p (same). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 232.0 (same) and SMR 20 212.0 (210.0).

FUTURES—Index 667, Nov 654-664, Dec 656-666, Jan/Mar 664-674, April/June 675-683, July/Sept 677-688. Sales: Nil.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 92.88p per kg lw (—0.40). GB—Sheep 125.13p per kg est dcw (—0.88). GB—Pigs 76.05p per kg lw (—1.18).

FUTURES — Pigs: Oct 101.5p, Nov 103.3p, Feb 97.8. Vol: 10. Pigmeat: Nov 112.5p. Vol: 28.

SUGAR

LONDON DAILY PRICE—Raw sugar $137.00 (£95.00), up $5.00 (up £3.00) a tonne for November-December delivery. White sugar $183.60, up $4.00.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	136.8-137.0	134.8-135.2	138.6-136.6
Mar	150.8-151.0	149.2-148.4	151.6-148.6
May	155.0-156.0	154.0-154.2	154.6
Aug	160.6-161.0	159.8-160.6	161.8-157.8
Oct	164.6-165.6	163.2-164.4	165.0
Dec	169.0-170.6	167.6-169.4	—
Mar	176.0-180.0	177.0-179.6	—

Sales: 1,261 (2,740) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £197.50 (£194.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for October 15: Daily price 5.31 (5.49); 15-day average 4.98 (4.95).

PARIS—(FFr per tonne): Dec 1167-1178, March 1199-1200, May 1235-1245, Aug 1270-1285, Oct 1307-1320, Dec 1341-1358.

FREIGHT FUTURES

The market rallied on reports of a $7.25 fixture ($8.10 for lights) on the Gulf/Amsterdam - Rotterdam - Antwerp route, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	789/790	792/789	785/786
Jan.	776/778	780/773	764/765
April	813/814	814/806	808/808
July	720/723	720	716/718
Oct.	820/830	838	815/820
Jan.	800/820	—	800/825
Apr.	950/970	950	950/996
July	830/840	—	830/840
BFI.	795.5	—	786.5

Turnover: 303 (221).

	Close	High/Low	Prev.
Tankers			
Oct.	765/770	765/757	762/790
Nov.	900/920	—	875/915
Dec.	935/975	—	925/955
Mar.	958/968	—	985/950
June	927/954	—	916/935
BTI.	760	—	764

Turnover: 16 (12).

OIL

The crude market continued thin and uncertain, while traders await the outcome of the Opec meeting. End of October Brent sold at $13.42 and December Brent traded down to around $14.10 and talked lower by the close. November WTI opened 25c down on Nymex and fell a further 18c by 1.30 pm EDT. The petroleum products market was quiet with traders refusing to take positions before the Opec meeting comes to a conclusion—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.45-13.55	—0.30
Brent Blend	13.60-13.70	—0.50
W.T.I. (1pm est)	14.45-14.55	—0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	163-165	—0.5
Gas Oil	115-117	+1
Heavy fuel oil	68-70	—
Naphtha	117-119	—

GAS OIL FUTURES

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Nov	120.25	—1.75	122.25-20.25
Dec	124.00	—1.75	127.50-24.00
Jan	126.00	—3.00	129.25-26.00
Feb	130.00	—0.75	130.25-30.00
Mar	123.50	—3.00	—
Apr	120.00	+4.00	—

Turnover: 1,711 (3,203) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Nov	72.00	+0.75	72.00
Dec	—	—	—
Jan	79.00	+4.50	—
Feb	—	—	—

Turnover: 68 (106) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or —	Business Done
Nov	162.00	—0.60	—
Dec	163.00	+2.00	—
Jan	164.00	+2.50	—
Feb	—	—	—

Turnover: 0 (0) lots of 100 tonnes.

US MARKETS

COFFEE FUTURES moved moderately lower again with a market trading quiet in comparison to recent days to take the December contract back to a level of 181.00c, reports Heinold. Trading action has been dominated by locals who, with the help of a lot of short-covering, pushed the market 4c lower than Wednesday's close. Platinum futures edged slightly higher again on technical buying although no fresh news was available to support the market, leaving it to close firm at $572 per ounce, basis January. Gold eased over $1 across the board with lower oil prices and yesterday's dimming prospect of an Opec output cut agreement putting its pressure on both gold and silver futures. Sugar futures showed a minimal change in very quiet trading as the market's ability to hold above chart suport at 6.50c, basis March, helped restore some confidence in operators and left the market closing at 6.79c.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	51.75	—	—	52.25
Nov	51.90	—	—	52.40
Dec	52.20	52.70	52.10	52.70
Jan	52.25	—	—	52.75
March	52.50	—	—	53.05
May	52.75	—	—	53.30
July	53.00	—	—	53.55
Sept	53.20	—	—	53.75
Dec	53.30	—	—	53.85
Jan	53.60	—	—	54.05

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1985	2011	1975	1984
March	2029	2040	2015	2017
May	2060	2070	2045	2048
July	2078	2085	2077	2068
Sept	2098	2095	2095	2083
Dec	2110	—	—	2099

COFFEE "C" 37,500 lb, cents/lb: [illegible]

COPPER 25,000 lb, cents/lb: [illegible]

COTTON 50,000 lb, cents/lb: [illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel: [illegible]

GOLD 100 troy oz, $/troy oz: [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	40.25	40.60	39.35	40.77
Dec	41.55	41.90	40.55	42.11
Jan	42.60	42.90	41.70	43.05
Feb	43.10	43.30	42.35	43.72
March	41.65	42.00	40.90	42.15
April	40.00	40.90	—	41.00
May	39.20	—	38.90	40.00
June	—	—	—	39.55
July	39.00	39.00	39.00	39.55

ORANGE JUICE 15,000 lb, cents/lb: [illegible]

PLATINUM 50 troy oz, $/troy oz: [illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb: [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb: [illegible]

LIVE HOGS 30,000 lb, cents/lb: [illegible]

MAIZE 5,000 bu min, cents/56 lb-bushel: [illegible]

PORK BELLIES 38,000 lb, cents/lb: [illegible]

SOYABEANS 5,000 bu min, cents/60 lb-bushel: [illegible]

SOYABEAN MEAL 100 tons, $/ton: [illegible]

SOYABEAN OIL 60,000 lb, cents/lb: [illegible]

WHEAT 5,000 bu min, cents/60 lb-bushel: [illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	577.6	583.0	578.0	581.1
Sept	[illegible]	[illegible]	591.5	[illegible]
Dec	[illegible]	603.0	595.0	[illegible]
Jan	596.9	—	—	600.4

SPOT PRICES—Chicago loose lard 17.60 (same) cents per pound. Handy and Harman silver bullion 569.0 (554.5) cents per troy ounce.

FOREIGN EXCHANGES

Dollar and pound steady

THE DOLLAR and sterling were little changed on the foreign exchanges yesterday. Economic news was reasonably encouraging as far as both currencies were concerned, but had little impact.

US industrial production rose 0.1 per cent in September, unchanged from August, and compared with forecasts of a fall of around 0.2 per cent, but dealers said this did no more than confirm the sluggishness of the economy. As expected US business inventories were virtually unchanged in August.

In general the market ignored comments about the dollar made by Mr Robert Ortner, US under secretary of commerce for economic affairs, and on interest rates by Mr Gerhard Stoltenberg, West German Finance Minister. In the absence of hard news dealers looked towards next Tuesday's figure on preliminary US third quarter gross national product growth for renewed guidance.

The dollar rose to DM 1.9745 from DM 1.9740; to SFr 1.6180 from SFr 1.6145; to Y154.25 from Y154.15; and to FFr 6.4657 from FFr 6.4650.

On Bank of England figures the dollar's index rose to 108.8 from 108.7

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. September average 1.4711. Exchange rate index rose 0.1 to 67.7, compared with 76.4 six months ago.

Sterling held steady ahead of last night's Mansion House speech by Mr Nigel Lawson, Chancellor of the Exchequer. Economic news had little impact. Dealers were expecting a rise of about 8,000 in UK unemployment in September, and were surprised by the fall of 22,000, while the underlying rise of 7.5 per cent in UK average earnings was in line with most forecasts. The provisional public sector borrowing requirement of £2.2bn in September was encouraging, when compared with forecasts of £3bn, but the market was more concerned with the Opec conference in Geneva, and the Chancellor's speech. The pound fell 30 points to $1.4365-1.4375, and declined to DM 2.8375 from DM 2.8425; to Y221.75 from Y222; and to FFr 9.2950 from FFr 9.31, but was unchanged at SFr 2.3250.

DEUTSCHE MARK — Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 142.7 against 134.8 six months ago.

Once again the Bundesbank did not intervene at the Frankfurt fixing, after buying small amounts of dollars on Monday and Tuesday at the fixing, but staying out of the market on Wednesday. The dollar was fixed at DM 1.9735 compared with DM 1.9783 on Wednesday. The remarks made by Mr Gerhard Stoltenberg, West German Finance Minister, pointing to sharp growth in the Bundesbank's money stock as a primary reason for conservative credit policy and the failure of the central bank to lower interest rates, weighted against the dollar. But to some extent this was offset by fear that heavy dollar selling would provoke open market intervention by the Bundesbank.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 152.25. September average 154.67. Exchange rate index 214.8 against 195.0 six months ago.

The yen showed little movement against the dollar in Tokyo. Trading was within a narrow range as the market ignored the sharp rise in US retail sales announced Wednesday, and the comments made by Mr Robert Ortner, US under secretary of commerce for economic affairs, who suggested the dollar is likely to continue to fall. Dealers in Tokyo also believed US industrial production would be flat, and unlikely to move the dollar, with the next big test for the dollar coming next Tuesday, with publication of third quarter US GNP figures. In quiet trading the dollar closed at Y154.25 in Tokyo, compared with Y154.00 on Wednesday and Y154.275 overnight in New York.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2517	+0.32	+1.10	± 1.5368
Danish Krone	7.81701	7.84014	+0.30	+1.08	± 1.6403
German D-Mark	2.11083	2.08085	−1.42	−0.64	± 1.1127
French Franc	6.87316	6.81513	−0.94	−0.16	± 1.3659
Dutch Guilder	2.37833	2.35257	−1.06	−0.28	± 1.5059
Irish Punt	0.764976	0.765502	+0.02	+0.80	± 1.6683
Italian Lira	1476.95	1440.67	−2.46	−1.99	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 16	Latest	Previous Close
£ Spot	1.4370-1.4380	1.4390-1.4300
1 month	0.66-0.64 p.m.	0.66-0.65 pm
3 months	1.94-1.90 p.m.	1.96-1.93 pm
12 months	6.73-6.63 p.m.	6.60-6.50 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 16	Previous
8.30 am	67.9	67.4
9.00 am	67.8	67.4
10.00 am	67.6	67.5
11.00 am	67.6	67.4
Noon	67.6	67.3
1.00 pm	67.6	67.8
2.00 pm	67.6	67.7
3.00 pm	67.7	67.5
4.00 pm	67.7	67.6

CURRENCY RATES

Oct. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.849340	0.733074
U.S. Dollar	6	1.22257	1.05563
Canadian $	8.50	*	1.46458
Austrian Sch.	4	16.9555	14.6289
Belgian Franc	8	50.0927	43.2517
Danish Kroner	7	9.08954	7.84014
Deutsche Mark	3½	2.41149	2.08085
Neth. Guilder	4½	2.72527	2.35257
French Franc	9½	7.89315	6.81513
Italian Lira	12	1671.16	1440.67
Japanese Yen	3½	188.489	162.619
Norway Krone	8	8.87800	7.66544
Spanish Peseta	—	160.194	138.340
Swedish Krona	8	N/A	7.17952
Swiss Franc	4	1.97413	1.70378
Greek Drach.	20½	163.003	140.930
Irish Punt	—	0.864478(1)	0.765502

* CS/SDR rate for Oct. 15; 1.69539

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4355-1.4435	1.4365-1.4375	0.66-0.63c pm	5.39	1.92-1.87 pm	5.27
Canada	1.9981-2.0044	1.9990-2.0000	0.54-0.44c pm	2.94	1.41-1.26 pm	2.67
Netherlands	3.20¼-3.22	3.20¾-3.21¾	1¾-1⅝c pm	6.08	4⅞-4½ pm	5.77
Belgium	58.95-59.34	58.95-59.05	20-13c pm	3.56	58-49 pm	3.63
Denmark	10.68⅞-10.73½	10.68¾-10.69¾	1⅝-1ore pm	1.47	4-5¾ pm	0.68
Ireland	1.0415-1.0515	1.0455-1.0465	0.20-0.45p dis	−3.73	0.65-1.20 dis	−3.54
W. Germany	2.83¾-2.85	2.83¾-2.84¾	1¾-1⅝pf pm	6.87	4⅞-4⅝ pm	6.70
Portugal	207.65-210.02	207.65-210.00	47-107c dis	−4.42	185-331 dis	−4.94
Spain	188.25-189.26	188.25-188.75	Par-37 dis	−1.18	7-68 dis	−0.80
Italy	1962½-1977¾	1963¾-1964¾	2pm-1lire dis	−0.31	3pm-1 dis	−0.20
Norway	10.44½-10.49	10.44½-10.45½	2⅛-3⅝ore dis	−2.58	8⅝-9⅝ dis	−3.44
France	9.29-9.34	9.29-9.30	2⅞-1¾c pm	2.66	6-5¾ pm	2.42
Sweden	9.78¾-9.82	9.78½-9.79½	2½-2 ore pm	2.76	6⅞-6¾ pm	2.68
Japan	221¼-222¾	221¼-222¼	1⅜-1¼y pm	6.76	3⅝-3⅜ pm	6.31
Austria	19.94-20.08	19.94-19.98	10⅛-9⅝gro pm	5.82	27½-24¾ pm	5.24
Switzerland	2.32-2.33¾	2.32-2.33	1⅝-1½c pm	7.74	4⅜-4¼ pm	7.27

Belgian rate is for convertible francs. Financial franc 59.30-59.40. Six month forward dollar 3.70-3.65c pm. 12 month 6.70- 6.60c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4355-1.4435	1.4365-1.4375	0.66-0.63c pm	5.39	1.92-1.87 pm	5.27
Ireland†	1.3732-1.3788	1.3765-1.3775	1.20-0.95c pm	9.36	3.30-2.80 pm	8.85
Canada	1.3877-1.3897	1.3885-1.3895	0.27-0.30c dis	−2.46	0.89-0.64 dis	−2.20
Netherlands	2.2215-2.2385	2.2320-2.2330	0.13-0.11ore dis	0.64	0.32-0.29 dis	0.54
Belgium	40.95-41.15	41.00-41.10	5-7 c dis	−1.76	15-19dis	−1.65
Denmark	7.42⅞-7.46	7.43¾-7.44¼	1.75-2.25ore dis	−3.23	5.65-6.15dis	−3.17

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.25-41.35.

FINANCIAL FUTURES

Sterling contracts lose ground

STERLING DENOMINATED contracts lost ground on the London International Financial Futures Exchange, as traders moved to square positions ahead of the speech at the Lord Mayor's banquet by Mr Nigel Lawson, Chancellor of the Exchequer. Adverse Press comment after this week's rise of 1 per cent in clearing bank base rates increased fears that Mr Lawson would find it difficult to satisfy market doubts about Government economic policy. There was also some nervousness ahead of the UK public sector borrowing requirement for September, but the published figure of £2.2bn was better than market estimates of around £3bn, and had little impact.

December long term gilts opened firm at 111-06, but failed to maintain Wednesday's rally, and gradually slipped lower. The early improvement was encouraged by the initial firmness of sterling on the foreign exchanges, but nervousness soon crept back into the market ahead of the Chancellor's speech and publication of the PSBR figure. The unexpected fall of 22,000 in September UK unemployment had no impact, although the market was expecting a rise of about 8,000, while the underlying rise of 7.5 per cent in August UK average earnings was in line with expectations, but the actual increase of 8.1 per cent was regarded as disappointing and led to a flurryof selling. After touching 111-14 the contract was sold down to 110-14 on the average earnings figure, and then down to a low of 110-10 as Treasury bonds weakened. Short covering pushed the price up slightly to 110-15 at the close, compared with 110-27 previously.

Three-month sterling for December also opened firm at 88.84, boosted by a steady cash market and a rise in the pound's exchange rate index at the opening. But selling by major forces in the market, such as CTSB, Midland Bank, Citibank and Salomon Brothers pushed the contract down to a low of 88.69, before late buying by Midland Bank led to a slight recovery to 88.72, compared with 88.77 on Wednesday.

December US Treasury bonds rose to 94-30 from 94-19, after touching a peak of 95-09, on overnight news that Saudi Arabia was threatening to increase oil production. Dealers said there was little reaction to a rise of 0.1 p.c. in September US industrial production, as the market waits for next week's third quarter GNP figure, amid forecasts of a rise of about 2 to 2.5 p.c.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	14.00	14.00	14.00	14.00	0.00	0.08	0.33	1.08
1.35	9.00	9.00	9.00	9.00	0.05	0.44	1.06	2.34
1.40	4.00	4.41	4.82	5.33	0.60	1.61	2.64	4.35
1.45	1.15	1.88	2.45	3.16	2.76	4.08	5.27	7.18
1.50	0.17	0.61	1.07	1.73	6.78	7.81	8.89	10.75
1.55	0.01	0.15	—	0.87	11.62	12.35	—	14.89
1.60	0.00	0.03	—	0.41	16.61	17.23	—	19.43

Estimated volume total, Calls 50 Puts 0
Previous day's open int, Calls 1,876 Puts 2,990

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.35	9.30	9.25	9.25	9.35	0.35	0.50	1.00	2.05
1.40	4.35	4.70	5.05	5.55	0.70	1.55	2.50	3.90
1.45	1.30	1.95	2.45	3.05	2.80	3.95	5.10	6.75
1.50	0.30	0.70	—	1.60	6.85	7.75	—	10.20
1.55	0.15	0.25	—	0.85	11.65	12.25	—	14.45
1.60	—	0.15	—	0.45	—	17.15	—	18.95
1.65	—	0.70	—	1.50	—	18.70	—	20.20

Previous day's open int: Calls 2,225, Puts 963
Volume: 4

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	3.70	13.70	3.70	13.70	—	0.05	0.20	0.75
1.35	8.70	8.70	8.70	8.80	0.05	0.30	0.80	1.75
1.40	3.90	4.20	4.50	5.10	0.45	1.25	2.10	3.60
1.45	0.90	1.60	2.05	2.70	2.40	3.80	4.80	6.30
1.50	0.10	0.45	0.75	1.20	6.60	7.50	8.50	9.90
1.55	—	0.05	—	0.50	11.20	12.00	—	14.10
1.60	—	—	—	0.15	16.30	16.80	—	18.70

Previous day's open int: Calls 39,352 Puts 85,098
Previous day's volume, Calls 1,321 Puts 569

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	1.09	1.05	0.94	—	0.00	0.05	0.15	—
93.25	0.85	0.84	0.75	—	0.01	0.09	0.21	—
93.50	0.61	0.64	0.58	—	0.02	0.14	0.29	—
93.75	0.39	0.46	0.43	—	0.05	0.21	0.39	—
94.00	0.22	0.32	0.31	—	0.13	0.32	0.52	—
94.25	0.10	0.20	0.21	—	0.26	0.45	0.67	—
94.50	0.03	0.12	0.13	—	0.44	0.62	0.84	—

Previous day's open int: Calls 1,284 Puts 1,525
Estimated volume, Calls 1 Puts 0

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	Puts—Last Dec.	Mar.
106	4.55	6.06	0.25	1.40
108	3.20	4.52	0.54	2.22
110	2.05	3.45	1.39	3.15
112	1.12	2.50	2.46	4.20
114	0.39	2.02	4.09	5.36
116	0.18	1.29	5.52	6.63
118	0.07	1.01	7.41	8.35
120	0.03	0.44	9.37	10.14

Estimated volume total, Calls 884, Puts 495
Previous day's open int, Calls 21,039, Puts 5,686

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	Puts—Last Dec.	Mar.
88	7.03	7.36	0.07	1.34
90	5.15	6.13	0.19	2.11
92	3.41	5.00	0.45	2.62
94	2.21	3.61	1.25	3.59
96	1.23	3.04	2.27	5.02
98	0.46	2.22	3.50	6.20
100	0.22	1.48	5.26	7.46
102	0.09	1.19	7.13	9.17

Estimated volume total, Calls 2, Puts 5
Previous day's open int, Calls 612, Puts 995

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	Puts—Last Dec.	Mar.
1525	11.29	15.41	0.99	2.01
1550	9.33	13.54	1.53	2.64
1575	7.55	11.80	2.25	3.40
1600	5.97	10.19	3.17	4.29
1625	4.62	8.73	4.32	5.33
1650	3.49	7.41	5.69	6.51
1675	2.57	6.23	7.27	7.83
1700	1.84	5.19	9.04	9.29

Estimated volume total, Calls 0, Puts 31
Previous day's open int, Calls 253, Puts 203

LONDON

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4280	1.4305	1.4260	1.4255
Mar.	1.4098	1.4092	1.4092	1.4075
June	1.3940	—	—	1.3915

Estimated volume 7 (0)
Previous day's open int. 928 (928)

CHICAGO

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.93	94.97	94.92	94.95
March	94.87	94.90	94.86	94.89
June	94.70	94.73	94.70	94.71
Sept.	94.42	—	94.42	94.43
Dec.	—	—	—	94.08
March	—	—	—	93.71
June	—	—	—	93.36

STANDARD & POORS 500 INDEX (IMM)
$500 times index

	Latest	High	Low	Prev.
Dec.	239.80	240.65	239.15	239.70
March	240.70	241.75	240.20	240.70
June	241.70	242.60	241.50	241.70
Sept.	242.80	243.70	242.60	242.80

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 15, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

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ECU=$US1.05124 SDR1=$US1.22044
As of October 15, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6	6
Sibor:	6	6

MONEY MARKETS

Chancellor keeps London nervous

INTEREST RATES had a slightly firmer undertone in nervous trading, as dealers waited for the speech by Mr Nigel Lawson, Chancellor of the Exchequer, at the Mansion House last night. Three-month interbank rose to 11⅛-11¼ per cent.

The Bank of England initially forecast a money market shortage of £400m, but this was revised to £600m at noon and to £650m in the afternoon. Total help of £629m was provided.

UK clearing bank base lending rate 11 per cent since October 15

Before lunch the authorities bought £229m bills outright, by way of £22m bank bills in band 1 at 10⅞ per cent; £118m bank bills in band 2 at 10⅞ per cent; £18m bank bills in band 3 at 10¾ per cent; and £73m bank bills in band 4 at 10⅝ per cent.

In the afternoon another £400m bills were purchased, through £3m Treasury bills in band 1 at 10⅞ per cent; £177m bank bills in band 1 at 10⅞ per cent; £141m bank bills in band 2 at 10⅞ per cent; and £78m bank bills in band 4 at 10⅝ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £141m, with Exchequer transactions absorbing £180m, a rise in the note circulation £15m and bank balances below target another £105m.

In Frankfurt call money eased to 4.35 per cent from 4.40 per cent as credit conditions improved on the local money market. In spite of the Bundesbank draining nearly DM 7bn in liquidity this week, through not fully replacing an expiring securities repurchase agreement, market liquidity remains adequate. This follows intervention by the central bank to support the dollar and ease strains in the European Monetary System. The Deutsche Marks sold by the Bundesbank are finding their way back into the banking system. Mr Gerhard Stoltenberg, West German Finance Minister, repeated the reason for the Bundesbank's reluctance to cut its discount rate. Reporting to Parliament on his return from the International Monetary Fund meeting in Washington Mr Stoltenberg said central bank money stock rose by 7.4 per cent in September, compared with 7.1 per cent in August, and an official target range of 3.5 per cent to 5.5 per cent. The Bundesbank does not expect the 1986 target to be met, and at present sees no possibility of lower interest rates.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	6¾
Fed. funds	5⅝
Fed. funds at intervention	5⅝

Treasury Bills and Bonds

One month	5.02	Three year	6.51
Two month	5.14	Four year	6.75
Three month	5.30	Five year	6.87
Six month	5.48	Seven year	7.26
One year	5.67	10 year	7.48
Two year	6.27	30 year	7.78

Oct. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.20-4.30	4.45-4.60	4.45-4.60	4.45-4.60	4.45-4.60	5.5
Paris	7⅛	7⅛-7½	7⅛-7⅜	7⅛-7⅜	7½-7⅝	7
Zurich	7⅜-1⅛	3⅜-3½	—	3⅞-4	—	—
Amsterdam	5½-5⅝	5⅜-5⅝	—	5⅜-5⅝	—	—
Tokyo	4.21875	4.59375	—	4.84375	—	—
Milan	10⅞-11¼	10⅞-11¼	—	10⅞-11¼	—	—
Brussels	4.50	7⅛-7½	—	7⅛-7⅜	—	—
Dublin	11⅞-11⅞	14⅞-14⅞	14¾-15	14¾-15	14½-15	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 16) 3 months U.S. dollars		6 months U.S. dollars	
bid 5⅞	Offer 6	bid 5⅞	Offer 6

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅜	94⅝	Exch. 2½pc 1986	99¼xd	—	2.52	10.96
102⅞	100⅛	Exch. 13¼pc 1987	100¾	−⅛	13.20	11.23
100⅞	97⅛	Treas 10¼pc Cv '87	99⅛	−⅛	10.30	11.33
98¼	92⅞	Exch 2½pc 1987	98¼	+⅛	2.55	7.85
101⅝	97⅝	Exch 10½pc 1987	99⅞	...	10.53	11.20
98⅝	93⅝	Funding 6½pc 85-87	98¼xd	...	6.62	10.26
101¼	96⅞	Treas. 10pc 1987	99⅛	...	10.07	11.02
97⅛	90⅞	Treas 3pc 1987	96¼	...	3.12	8.29
104⅞	99¼	Treas. 12pc 1987	100⅞xd	...	11.90	11.13
99⅛	92⅞	Treas 7¾pc 1985-88‡‡	96⅝	...	8.03	10.59
104	96¼	Exch 10½pc '88	99¼xd	−⅛	10.60	11.19
102⅝	95¼	Treas 9¾pc Cv '88	97⅞	...	9.96	11.15
94⅛	86⅝	Transport 3pc '78-88	91¾	...	3.27	8.27
102⅛	93⅞	Treas. 9½pc '88	97xd	−⅛	9.79	11.20
107⅞	98⅛	Treas 11½pc 1989	100½	...	11.44	11.20
103⅞	93¼	Treas 9½pc Cnv 1989	96½xd	...	9.85	11.15
92⅛	82⅞	Treas 3pc 1989	87½xd	+⅛	3.42	8.52
105⅞	95⅛	Treas 10½pc 1989	98¼	+⅛	10.67	11.19
104⅞	94¼	Exch 10pc 1989	97⅛	+⅛	10.30	11.25
107⅞	97	Exch 11pc 1989	99½	+⅛	11.06	11.20
93⅞	84½	Treas 5pc 1986-89	88½xd	+⅛	5.65	9.48
110⅞	94⅞	Exch 10¼pc Cv '89	100½xd	...	10.20	10.08
114⅞	103⅛	Treas 13pc 1990‡‡	104⅞	+⅛	12.40	11.12
108⅛	97⅛	Exch 11pc 1990‡‡	99⅞	...	11.04	11.12
113⅛	101⅞	Exch. 12½pc 1990	103⅞	...	12.06	11.18
89⅞	79⅝	Treas. 3pc 1990	83½xd	+⅛	3.58	8.48
100⅞	89⅛	Treas 8¼pc 1987-90‡‡	93¼	...	8.82	10.42
106⅛	93	Treas. 10pc Cv 1990	96½xd	+⅛	10.38	11.14
86⅛	76½	Exch 2½pc 1990	88¾xd	...	3.11	8.29
112⅞	99⅛	Treas 11¾pc 1991	101⅞	+⅛	11.54	11.16

Five to Fifteen Years

Over Fifteen Years

Undated

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HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
193	129	Metal Closures	145	+2	6.7	1.0	6.5	(21.6)
182	70	[illegible]	[illegible]		12.46	2.8	4.3	12.4
78½	45	Mitchell Cotts	54½		1.5	♦	3.9	♦
124	81	Morris & Crane 10p	114		1.27	2.9	3.3	13.9
317	210	Morgan Crucible	317	+7	†8.5	1.5	3.9	20.8
23½	15½	Morris (W.F.) A 20p	18½		—	—	—	—
152	85	Myriad Grp 10p	136		†2.63	2.6	2.7	17.6
345	230	MMW Computers	243		†6.0	3.0	3.5	14.0
76	27	Nash Inds.	76	+3	†0.8	—	0.9	—
77½	15½	Nell & Spencer 10p	16½		—	—	—	—
39	28	Newman Inds 10p	36	+2	†0.8	1.5	3.1	(27.5)
134	65	Noble & Lund 10p	334		0.7	4.3	0.9	37.5
65	39	Norton	56	+1	†0.95	7.0	2.7	7.1
150	96	Norsk Systems 5p	143		1.5	—	1.5	18.3
286	187	Norcros	227	–2	9.3	2.2	5.8	10.9
186	49	Nu-Swift 5p	186	+13	†3.5	2.1	2.7	24.8
£396½	£228	OCE 9pc Cnv 1987-92	£348½		09%	—	(2.6)	—
118	80	Oakwood Grp	91		‡5.0	1.3	‡	12.6
290	185	Office & Elect.	190		8.5	2.9	6.1	8.0
183	70	Oldacre 20p	176		‡5.0	♦	4.1	♦
34	26	Omnitech 1p	27		—	—	—	—
36	22	Optometrics $0.01	24		—	—	—	—
890	500	Ovaltine £1	870		†24.5	2.1	4.0	16.9
18	5	Overstone 12½p	9		03.29	1.9	12.1	4.7
142	85	PCT Grp 10p	118		3.2	—	5.6	—
£23½	£13¾	PLM "B" Sk 25	£18½		023.2%	0.3	3.3	—
195	114	PSM Intl	188		5.5	2.1	4.2	14.0
255	160	Pacer Systems $0.01	160			3.4	1.7	17.8
78	50	Pacific Sales 10p	50		3.0	1.4	8.5	11.9
445	246	Parker Knoll 'A'	399		12.0	3.2	4.2	10.5
222	83	Parkfield Group 2p	178	+8	3.6	4.2	2.8	11.3
53	17	Pavion Intl	19	+2	—	—	—	5.0
£130	£64½	Do 11pc CnLn '94-02	£72½	+8	011%	—	0.2	—
608	393	Pearson	540	+2	†10.0	2.8	2.6	17.6
41	12	Peek Holdings 3p	40	–1	—	—	—	—
145	88	Peerless	135		6.5	1.5	6.8	(12.1)
519	141½	Pentland 10p	430	–5	†0.75	22.4	0.2	24.4
£34	775	Philips Fin	£32½		5.75	♦	0.6	♦
503	315	Pilkington Br. £1	505	+20	13.5	2.7	3.8	(10.9)
£431½	£293	Pitney-Bowes Cnv. Ln.	£431½		8½%	—	1.3	—

MINES—Continued

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
112	30	Anglo-Dominion	90½		—	—	—
42	19½	Anglo Utd Dev.	25		—	—	—
80	27	Colby Res Corp.	37½	–½	—	—	—
300	115	Cons. Murch. 10c	£1¾		Q60c	4.4	9.9
34	24	Ennex Int. Ir10p	24		—	—	—
144	70	Greenwich Res.	126	–4	—	—	—
157	93	Hampton Areas 10p	146		♦1.0	—	1.0
327	165	Highwood Res.	243	+4	—	—	—
£20¾	£13⅝	Homestake Mining $1	£19½	+¼	Q20c	—	0.7
310	156	McFinley Red Lake	203	+2	—	—	—
285	144	Musto Explorations	220	+13	—	—	—
51	28	New Sabina Res C$1	35	–½	—	—	—
353	200	Northgate C$1	331	–15	—	—	—
790	513	RTZ	684	+5	22.0	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£145¼		Q9½%	15.5	(6.7)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- ▲ Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	60	.....
Craig & Rose £1	£15	.....
Finlay Pkg. 5p	47	.....
Holt (Jos) 25p	810	.....
IoM Stm. £1	76	–2
IRISH		
Fund 11¼% 1988	£96⅝	.....
Nat. 9¾% 84/89	£90¾	.....
Fin. 13% 97/02	£94⅞	.....
Arnotts	265	.....
CPI Hldgs	40	.....
Carrol Inds.	115	.....
Dublin Gas	30	.....
Hall (R. & H.)	78	.....
Heiton Hldgs.	29	.....
Irish Ropes	95	.....
Unidare	232	.....

"Recent Issues" and "Rights" Page 39 (International Edition Page 35)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17

*"New time" dealings may take place from 9.00 am two business days earlier.

Markets fluctuate narrowly in small trade awaiting Mansion House speech

The UK securities markets traded cautiously ahead of the speech by the Chancellor of the Exchequer to leaders of the banking community, and made only a guarded response to favourable news on the domestic economy. Government bonds ended with a few scattered gains after the announcement that both UK unemployment totals and the latest Public Sector Borrowing Requirement (PSBR) were lower than expected. But the equity market drew only temporary benefit from Wall Street's overnight strength, closing a shade easier on the day.

The FT Government securities index was 0.02 up at 82.77. The FT-SE 100 index lost 2.5 to 1605.0, while the FT Ordinary Index, at 1277.6, gained 1.2.

With both sterling and the domestic money markets quiet, the City settled down to wait for the Chancellor's speech at the Mansion House. Concern over interest rates has been reduced by the steadier trend of the pound, and the securities markets have quietened down ahead of Big Bang Day, now only 10 days off.

Gilt-edged stocks moved higher on the PCBR news, but there was little buying activity and prices soon shaded off the top. By the close, most prices were unchanged, with a few of the longer dates showing gains of ¼ point.

Wall Street's 31 point gain encouraged a firmer start by equities in London. But, once again, it soon became clear that the major institutions were not inclined to open new positions ahead of the Chancellor's speech, and prices made no headway. Reports that the Opec ministers were finding difficulty in reaching agreement on new production quotas unsettled oil stocks, and damped down the interest in Imperial Chemical Industries.

But, in a sign of times to come in the post-Big Bang market, Salomon Brothers, the US investment bank, carried out a bought deal worth £30.25m, after winning a competitive tender for about 10.6m shares of Granada Group, the television rentals and programming company. Salomon took the shares, which Granada was placing in order to pay for its purchase of the Lasky's retailing business, for 282p. This was close to the overnight market price of Granada and Salomon was able to place the stock quickly, largely with UK names on its extensive list of clients.

Another market placing comprised 24.5m shares of Bunzl Pulp and Paper, at 195p, against a market quote of 197p-202p. Once again, the stock, representing the rump of Bunzl's recent rights issue, was sold to UK institutions.

Guinness Peat higher

Speculation that the UK Temperance and General Provident Institution had sold its 22.17 per cent stake in Guinness Peat for 101p per share induced good support for the latter which touched 98p before closing 6 higher on balance at 94p. Brown Shipley, in which Kredietbank S.A. Luxembourgeoise holds a 25.5 per cent stake, moved up 10 to 538p, while speculative demand lifted Chancery Securities 13 to 137p.

Chartered architects Whinney Mackay-Lewis staged an impressive debut in the Unlisted Securities Market; the shares, placed at 160p, opened at 174p and moved ahead to 179p prior to closing at 175p.

TSB made early progress to 85½ before drifting back in the absence of follow-through support to close unchanged at 84p.

Leading Buildings displayed a firmer bias. Blue Circle continued to trade actively on takeover rumours and closed a couple of pence dearer at 582p for a two-day rise of 14. Costain hardened a couple of pence to 498p, as did Tarmac, at 414p. Ibstock Johnsen added a couple of pence on Steetley takeover hopes and British Dredging gained a penny to 82p awaiting today's annual results. Manders revived with a rise of 8 at 321p, while Meyer International, still responding to a broker's lunch, added 3 more to 236p. Edmond Holdings closed ½ dearer at 22½p, after 23p, following details of the acquisition of Stormguard Homes, a privately-owned housebuilding concern for £4.2m.

Stores good again

Retailers continued in firm fashion with sentiment aided by the extremely encouraging tenor of the latest CBI/FT survey of distributive trades. Prices usually finished below best levels, however, but rises of around 4 were common to Burton 284p, and Marks and Spencer, 201p; the latter's interim figures are expected towards the end of the month. Harris Queensway touched 214p before settling a net 4 to the good at 212p following news of the proposed purchase of a 75 per cent holding in Harveys, a South of England soft furnishing and curtains retail chain, for £9.5m cash. Buyers also returned for Ratners which touched 243p before settling a net 4 to the good at 239p. Takeover chatter lifted Alfred Preedy 8 to 120p, after 122p, and Wigfalls 10 to 185p.

Amstrad revived strongly in Electricals, rising initially to 136p before closing 5 higher on balance at 129p on hopes that IBM's reported decision to withdraw from the small computer market will substantially enhance the group's US growth prospects. News of the lucrative Chinese order lifted BICC 7 to 255p, but British Telecom slipped 4 to 186p following comment on Oftel's current investigations into the group's proposed tariff changes, which are due to be implemented on November 1. Cable and Wireless dropped 10 to 324p and GEC softened a couple of pence at 170p. Elsewhere, MK reflected revived takeover hopes with a rise of 17 at 360p and MicroFocus improved 5 at 125p despite news of the interim deficit. TDS Circuits, however, were depressed by its half-year loss and the close was 20 lower at 131p.

Secondary issues provided some good features in Engineerings. Press speculation about a possible 85p per share bid in the wake of Board changes helped Renold rise 5 to 54p, while takeover hopes revived in Weir Group and the close here was 6 higher at 92p. Glynwed advanced 12 at 288p and speculative improvements of 4 and 5 respectively were seen in Baggeridge, 123p, and Bromsgrove, 73p. News of Pergamon's capital injection helped Siebert and Pitt close 4 higher at 144p, after 147p, while Babcock touched 183p in the early trade behind Press speculation of a possible stake-building exercise by Hanson Trust, but later succumbed to profit-taking to finish a few pence easier on balance at 178p. Hawker continued to attract support ahead of next Wednesday's interim results and finished 6 dearer at 453p.

Cadbury Schweppes continued to feature the Food sector, rising 3 more to 196p following further US buying on takeover hopes. Unigate, largely reflecting the efforts of a single buyer, moved up 7 to 295p, while Tate and Lyle firmed 5 to 570p. Among Retailers, Tesco, interim results due at the end of the month, settled a couple of pence cheaper at 403p, but Hillards gained 15 to 180p in a restricted market on talk of a broker's visit to the company. Greggs were a firm market at 280p, up 10, but acquisition news failed to excite Watson and Philip, unchanged at 158p. Cheshire Wholefoods continued its recent good run with a fresh rise of 16 at 243p, while Avana, half-year figures due in November, hardened 6 to 324p. Brewmaker shed 4 to 16p following the poor interim results.

Pilkington up again

Bid speculation in Pilkington intensified and during the course of a very active session the shares advanced to 60p before closing a further 20 higher on balance at 503p, a jump of 43 so far this week; yesterday's favourite rumour was of an imminent bid of 550p per share coming from BTR, 2 easier at 333p. Other miscellaneous industrials marked time awaiting the content of Mr Lawson's Mansion House speech. English China Clays, however, firmed a few pence to 318p in further response to a chart "buy" signal, while Beecham improved the same amount at 413p with the help of Press comment. Elsewhere, Hargreaves rose 15 to 271p following the increased and final offer from Coalite. Dealings in Morgan Crucible were suspended at 3.30 pm, at 315p, some 7 points higher, prior to the after-hours' news that Mr Robert Holmes à Court had increased his stake in the company to just below 20 per cent following the tender offer; the intention had been to raise his interest up to 29.9 per cent by acquiring 14.77m shares at a maximum of 320p per share. Nu Swift Industries jumped 13 to 188p in response to the bumper interim profits, while buying on asset injection hopes lifted Dwek 12 to 128p. Cookson added 10 to 458p as buyers found stock in short supply and Aberfoyle improved a couple of pence to 32p following revived speculative support. Christies International fell 20 to 280p following a reported bid denial from Phillips Sons and Neale, while Granada softened a couple of pence to 282p following its acquisition of the Laskys chain from Ladbroke.

Television issues continued to attract selective buying interest with Anglia A rising 5 to 293p and Central N/V gaining 7 to 365p. Saatchi and Saatchi [illegible] encountered profit-taking in the wake of the good interim figures and settled 3 cheaper at 84p, after 88p.

US sources were disinterested in Jaguar and, with few domestic buyers operating, the price slipped back 9 to 511p. ERF, on the other hand, picked up 5 to 73p amid hopes that the group would produce a new truck. Components featured Jonas Woodhead, 7 higher at a new peak for the year of 91p on speculation of a bid from Carclo which currently holds a 21.7 per cent stake in the company. Lucas Industries became unsettled at 498p, down 5, following a fresh labour dispute, this time involving white collar workers.

A near-£50m share placing failed to disturb Bunzl which hardened 2 to 200p. Some 24.5m shares, the rump of the recent £197m rights issue, were sold by broker Hoare Govett to various institutions. Robert Maxwell continued to increase his stake, after Wednesday's purchase of 1.1m shares, in McCorquodale but the price stayed at 270p. BPCC improved 3 to 286p and Norton Opax a like amount to 145p. Elsewhere, WPP rose 30 to 630p. Similarly-listed Cawells responded to the encouraging longer-term outlook, which offset lower interim figures, by gaining 4 to 100p.

Secondary issues provided some noteworthy movements in the Property sector. Demand in restricted markets lifted Cardiff Property 20 to 308p and Jermyn 50 to 300p. Trencherwood rose 20 to 485p, while estate agents Connells firmed 5 to 253p. London and Edinburgh, dull earlier in the week following news of the two year delay for its Spitalfields development, rallied 15 to 655p, but Marler Estates shed that much, to 600p, on fading bid hopes. Southend Stadium hardened a penny to 192p on the agreed acquisition of a portfolio of shop properties for £3.6m.

British and Commonwealth moved relentlessly forward to 318p bbefore short-term holders took their profits and brought a close of 308p, a rise of 10 on the day and one of 95 in just five days. The associated Caledonia Investments touched 285p before reverting to the overnight level of 273p.

Investment Trusts paraded numerous small gains, Globe rising 4 to 124p and TR Property 5 to 190p. London Atlantic advanced 3 late to 188p on the increased first-half revenue and higher nav, while TR North America gained 2 to 96p following the announcement that Royal Insurance had increased its stake to 10.09 per cent. Persistent speculation of a bid from Standard Chartered forced Exco up 7 to 260p; the latter has made more capital available to its Gilt-edged inter-dealer arm. The proposals to dispose of two of its money-broking businesses to a consortium helped MAI gain 5 to 380p. Elsewhere, Mercantile House rose 8 further to 292p and NMC recovered 12 to 165p.

Oils subdued

Oil shares gave a subdued performance awaiting fresh news from the current OPEC meeting. Initial gains of a few pence were soon eroded in the absence of any worthwhile buying interest and prices subsequently settled lower on balance. BP were finally 7 off at 686p and Shell 5 down at 905p. Ultramar, after early progress to 160p, drifted back to close a couple of pence cheaper on balance at 156p. LASMO slipped 4 to 121p and Britoil softened a couple of pence to 131p. Second-line issues continued to feature Conroy Petroleum which climbed 39 to 305p on favourable Press comment and talk of a bid from RTZ.

Views that Harrisons and Crosfield had been overlooked, despite the recent sharp rise in palm oil prices, led to a revival. A particular large buying order touched off a string of smaller purchases and, amid thoughts of a possible stake-building exercise, Harrisons and Crosfield jumped 20 to 393p.

Plantations warmed to news of the Sime Darby placing in the Far East of 47m shares of Consolidated Plantations to various institutional investors. Cons Plant rose 3 to 78p, while Harrisons Malaysia 6 to 98p.

Australians lacked a decided trend. Leading diversified issues made modest progress, largely reflecting support in overnight Sydney and Melbourne markets. CRA firmed a few pence to 358p, as did Peko-Wallsend, at 298p and Western Mining, finally 7 up at 217p. Golds, however, continued to react to bullion's weakness. Gold Mines of Kalgoorlie fell 15 to 648p, while Emperor gave up 17 to 258p and ACM eased 9 to 195p.

South African Golds gave ground for the third successive trading session. Despite a relatively firm start—quotations were marked selectively higher from the outset reflecting bullion's early strength—leading counters soon encountered occasional offerings as both London and Continental operators displayed reluctance to commit further funds to the sector.

Bullion finished $2.5 up at $425.75 an ounce but, in sterling terms, Golds gave ground across the board. Randfontein eased a half-point to £66¼ while smaller-priced issues showed Harmony 36 off at 735p, and Freegold 20 cheaper at 794p. The FT Gold Mines index fell 3.6 more to 306.3.

London-domiciled Financials responded to revived demand. Consolidated Gold Fields, again buoyed by a lively traded option business—dealers reported active trading in the soon-to-expire October series—advanced 7 to 674p, while RTZ, flat on latest rumours that the company is set to launch a bid for Pilkington, seen by many as a defensive move to obviate persistent takeover speculation, put on a few pence to 684p.

South African Financials featured De Beers which responded to favourable Press comment with a gain of 15 to 535p. By way of contrast, Gencor, 875p, and Genbel, 700p, dipped 18 and 25 respectively.

FINANCIAL TIMES STOCK INDICES

	Oct. 16	Oct. 15	Oct. 14	Oct. 13	Oct. 10	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.77	82.75	82.81	83.54	83.68	84.33	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.03	88.99	89.14	89.31	89.94	90.22	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,277.6	1,276.4	1,262.3	1,275.4	1,265.4	1,043.3	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	306.3	309.9	321.5	322.2	319.3	284.8	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.37	4.41	4.37	4.40	4.63				
Earnings Yld.%(full)	10.04	10.04	10.15	10.05	10.10	11.35				
P/E Ratio (net) (*)	12.21	12.21	12.08	12.20	12.14	10.88				
Total Bargains (Est)	28,439	28,577	30,299	34,156	29,980	22,988				
Equity Turnover £m.	—	640.26	458.94	508.39	685.31	638.41				
Equity Bargains	—	33,316	33,415	74,545	37,361	22,977				
Shares Traded (ml)	—	336.4	224.2	280.8	348.0	297.2				

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1281.8	1281.8	1280.2	1276.4	1277.2	1276.0	1275.8	1277.1

Day's High 1283.5. Day's Low 1275.7.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.72.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

S.E. ACTIVITY

Indices	Oct. 15	Oct. 14
Gilt Edged Bargains	143.0	96.7
Equity Bargains	364.9	346.1
Equity Value	1294.1	927.6
5-Day Average		
Gilt Edged Bargains	113.9	109.2
Equity Bargains	345.2	297.6
Equity Value	1227.8	1184.1

Traded Options

Activity in Traded Options continued to decline from the record levels established last Friday following the introduction of TSB positions. Total contracts transacted yesterday amounted to 21,729, of which TSB contributed 3,022 calls and 970 puts. Business elsewhere centred on Cadbury Schweppes and Marks and Spencer which recorded 1,177 and 1,115 calls respectively. Persistent takeover rumours prompted another active turnover in Consolidated Gold Fields, which attracted 1,510 calls.

Traditional Options

- First dealings Oct 6 Oct 20 Nov 3
- Last dealings Oct 17 Oct 31 Nov 14
- Last declaration Jan 8 Jan 22 Feb 5
- For Settlement Jan 19 Feb 2 Feb 16

For rate indications see end of Unit Trust Service

Call options were arranged in TSB, Pavion, Ratners, Hughes Food, Hill Samuel, Conroy, Petaline, Johnson and Firth Brown, Renold, British Car Auction, Grand Central, Amstrad, Polly Peck, Redfearn National Glass, Freshbake Foods, CASE and Cliff Oil. Puts were taken out in TSB, Milford Docks, Jessups and Conroy. No doubles were reported.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amstrad	129	+5	Marks & Spencer	201	+4
Blue Circle	582	—	Pilkington	503	+20
Brit. and Comm.	308	+10	Ratners	239	+4
Caledonia Invs.	273	—	WPP	630	+30
Exco	260	+7	Woodhead (J.)	91	+7
Harris Queensway	212	+4	Woolworth	625	+20

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
Brit & Comm.	25	298	+20	RTZ	15	679	+7
Glaxo	22	948	+18	TSB (50p pd)	15	84	—
GKN	19	265	+14	Anglo American	14	£11¼	+⅝
Dixons	16	300	+40	Pilkington Bros	14	483	+20
Cons Gold Fds	15	667	+2	Grand Met.	13	465	+4
Eng China Clays	15	316	+15	Shell Trans	12	913	+5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	34	50
Corporations, Dom. and Foreign Bonds	3	8	61
Industrials	412	299	913
Financial & Properties	156	71	350
Oils	14	22	76
Plantations	5	—	9
Mines	47	68	68
Others	86	50	62
Totals	756	444	1,589

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (85)

BANKS (2) Chancery Securities, Equity and General, BUILDINGS (3) Anglia Secure Homes, Finlan, Try Homes, CHEMICALS (1) Croda Deferred, STORES (6) Dunhill, House of Lerose, Ratners, Do. Conv. Pref., S. and U. Stores, Wigfalls, ELECTRICALS (4) Apricot, Conder, Kode, Siebe, ENGINEERING (4) [illegible], HOTELS (1) [illegible], INDUSTRIALS (9) [illegible], INSURANCE (1) [illegible], LEISURE (4) Anglia TV A, [illegible], MOTORS (1) [illegible], NEWSPAPERS (1) [illegible], PAPER (2) [illegible], PROPERTY (5) [illegible], SHIPPING (1) [illegible], TEXTILES (1) Youghal, TRUSTS (17) [illegible], PLANTATIONS (1) [illegible], MINES (1) [illegible].

NEW LOWS (4)

FOODS (1) [illegible], ELECTRICALS (2) [illegible], INDUSTRIALS (1) [illegible], PROPERTY (1) [illegible].

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday October 16 1986: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Weds Oct 15 Index No.	Tues Oct 14 Index No.	Mon Oct 13 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	661.10	+0.1	9.25	3.86	13.73	15.99	660.65	653.57	661.15	544.28
2 Building Materials (27)	769.11	+0.9	9.45	3.81	13.34	17.45	762.40	751.08	758.80	589.93
3 Contracting, Construction (30)	1109.43	+0.1	8.04	4.20	17.04	28.13	1110.17	1107.99	1126.38	916.44
4 Electricals (12)	1746.71	+1.7	6.50	4.79	15.63	53.27	1717.36	1712.85	1727.92	1552.96
5 Electronics (38)	1442.81	-0.6	9.82	2.82	13.56	28.92	1451.05	1432.70	1469.04	1297.10
6 Mechanical Engineering (60)	366.94	+0.1	10.78	4.48	11.84	9.48	366.50	362.28	364.24	315.73
8 Metals and Metal Forming (7)	333.29	+1.5	9.58	4.22	13.34	7.39	328.43	322.94	326.11	216.56
9 Motors (16)	268.28	-0.7	9.85	3.79	13.83	5.67	270.27	267.50	268.60	187.95
10 Other Industrial Materials (21)	1228.91	-0.1	7.39	4.39	16.11	29.55	1229.10	1217.95	1223.92	1083.99
21 CONSUMER GROUP (185)	919.48	+0.3	8.14	3.36	15.48	16.30	916.28	909.00	915.52	713.90
22 Brewers and Distillers (22)	921.57	-1.0	9.53	3.49	12.90	14.91	931.23	926.05	926.49	752.46
25 Food Manufacturing (24)	705.90	+0.6	9.56	3.87	13.62	14.49	701.58	699.16	698.06	521.26
26 Food Retailing (16)	1892.11	—	6.17	2.74	22.54	29.71	1891.11	1878.87	1889.36	1667.70
27 Health and Household Products (10)	1583.84	+0.2	6.51	2.52	18.41	12.84	1580.83	1483.65	1496.42	1084.63
29 Leisure (27)	899.94	+0.1	8.28	4.33	16.01	24.92	898.77	897.58	905.31	702.97
32 Publishing & Printing (15)	2519.46	+0.1	7.37	4.40	17.57	55.86	2515.86	2509.65	2523.90	1894.39
33 Packaging and Paper (14)	467.27	+0.9	7.19	3.52	18.07	10.39	463.23	454.58	454.99	367.38
34 Stores (38)	856.40	+1.6	6.85	3.01	19.79	12.49	841.70	830.24	842.72	733.69
35 Textiles (17)	526.73	+0.7	9.71	3.74	11.93	10.03	523.05	520.58	527.93	340.11
36 Tobaccos (2)	1233.67	-0.5	13.40	4.19	8.20	36.99	1239.77	1234.08	1247.70	752.05
41 OTHER GROUPS (87)	773.84	-0.6	8.75	4.14	14.73	17.27	778.55	768.63	773.38	686.46
42 Chemicals (20)	994.94	-0.2	8.83	4.35	13.77	29.09	996.52	986.79	994.25	679.99
44 Office Equipment (4)	246.28	-0.3	7.55	4.32	16.03	7.31	247.07	243.96	246.26	210.06
45 Shipping and Transport (13)	1537.94	+0.7	7.96	4.33	15.87	41.58	1526.86	1484.51	1457.76	1344.72
47 Telephone Networks (2)	756.95	-2.3	11.33	4.86	12.06	16.67	774.84	756.64	786.44	857.90
48 Miscellaneous (48)	1074.17	+0.4	6.40	3.18	19.62	16.64	1069.51	1063.20	1067.95	857.54
49 INDUSTRIAL GROUP (483)	823.08	+0.1	8.56	3.67	14.83	16.61	822.65	814.62	822.66	669.79
51 Oil & Gas (17)	1356.91	-1.8	12.04	6.44	10.32	42.03	1370.74	1359.44	1391.73	1156.59
59 500 SHARE INDEX (500)	868.33	-0.1	8.97	4.01	14.08	20.21	868.98	860.65	870.58	710.94
61 FINANCIAL GROUP (118)	598.23	—	—	4.73	—	16.55	598.42	594.10	595.18	505.19
62 Banks (8)	662.23	-0.1	19.18	5.53	7.16	23.96	662.73	659.81	659.20	500.42
65 Insurance (Life) (9)	832.31	-0.1	—	4.79	—	16.39	833.58	820.88	820.00	778.81
66 Insurance (Composite) (7)	464.79	-0.4	—	4.67	—	10.93	466.56	462.34	467.65	383.13
67 Insurance (Brokers) (9)	1259.18	-1.3	7.81	4.11	16.74	38.33	1275.55	1267.72	1276.53	1134.21
68 Merchant Banks (12)	329.77	+0.1	—	4.06	—	9.98	328.06	323.66	322.52	260.80
69 Property (49)	767.84	+0.2	5.85	3.45	22.51	13.43	766.47	756.50	751.03	699.54
70 Other Financial (24)	349.59	+1.1	9.15	4.51	13.29	8.98	345.63	344.95	342.14	292.49
71 Investment Trusts (99)	804.29	+1.1	—	2.82	—	12.94	795.41	792.78	790.34	600.45
81 Mining Finance (2)	337.30	+0.9	9.31	4.76	12.62	9.17	334.44	334.82	345.87	253.45
91 Overseas Traders (13)	787.37	+1.2	10.92	6.23	10.93	24.33	698.49	693.76	695.59	569.74
99 ALL-SHARE INDEX (732)	794.51	—	—	4.11	—	18.88	794.85	787.49	794.94	650.21

	Index No.	Day's Change	Day's High	Day's Low	Oct 14	Oct 13	Oct 10	Oct 9	Year ago
FT-SE 100 SHARE INDEX ♦	1605.0	-2.5	1613.3	1602.9	1607.5	1592.5	1612.3	1599.4	1608.6

FIXED INTEREST

PRICE INDICES	Thurs Oct 16	Day's change %	Weds Oct 15	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.54	+0.05	118.50	0.02	9.57
2 5-15 years	129.13	+0.02	129.44	0.34	11.43
3 Over 15 years	135.09	-0.05	135.16	—	11.43
4 Irredeemables	151.47	+0.13	151.27	—	7.83
5 All stocks	127.72	+0.02	127.88	0.18	10.89
Index-Linked					
6 5 years	112.69	-0.16	112.81	—	2.00
7 Over 5 years	110.94	-0.11	111.06	—	2.12
8 All stocks	111.18	-0.11	111.30	—	2.09
9 Debentures & Loans	112.88	+0.39	111.65	—	8.65
10 Preference	80.52	-0.08	80.59	—	5.16

AVERAGE GROSS REDEMPTION YIELDS		Thurs Oct 16	Weds Oct 15	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.72	9.75	9.75
2	15 years	10.33	10.33	10.03
3	25 years	10.32	10.33	10.04
4 Medium Coupons	5 years	11.12	11.20	10.59
5	15 years	10.71	10.71	10.56
6	25 years	10.55	10.55	10.36
7 High Coupons	5 years	11.34	11.33	10.59
8	15 years	10.92	10.93	10.60
9	25 years	10.65	10.65	10.45
10 Irredeemables		10.07	10.10	9.65
Index-Linked				
11 Inflat'n rate 5%	5 yrs.	4.33	4.27	0.0
12 Inflat'n rate 5%	Over 5 yrs.	3.76	3.75	0.0
13 Inflat'n rate 10%	5 yrs.	3.06	2.98	0.0
14 Inflat'n rate 10%	Over 5 yrs.	3.61	3.60	0.0
15 Debs & Loans	5 years	11.02	11.05	11.21
16	15 years	11.52	11.58	11.13
17	25 years	11.52	11.58	11.16
18 Preference		11.43	11.42	11.82

♦Opening index 1611.9; 10 am 1612.0; 11 am 1608.1; Noon 1604.1; 1 pm 1604.3; 2 pm 1603.0; 3 pm 1603.5; 3.30 pm 1604.8; 4 pm 1604.7.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW CONSTITUENT: TSB Group (62) the above indices have been calculated inserting TSB Group at its fully paid issue price (100p). Had the first quotation (148p) been used the Friday values of the three indices affected would have been lower by the percentages indicated Group (61) 1.57%, (62) 4.65% and (99) 0.26%.

LONDON TRADED OPTIONS

[illegible]

October 16. Total Contracts 21,729. Calls 15,596. Puts 6,134.
*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 35,891

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%, 1-month 6.07%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6½% gross. § Mortgage base rate. ¶ Demand deposit 6.69%. Mortgage 11%.

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

JAPAN (continued)
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ♯ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices October 16

[illegible]

‡—No voting rights or restricted voting rights.

MONTREAL
Closing prices October 16

[illegible]

Total Sales 3,880,372 shares

Indices

NEW YORK—DOW JONES
[illegible]

STANDARD AND POORS
[illegible]

N.Y.S.E. ALL COMMON
[illegible]

RISES AND FALLS
[illegible]

NYSE-Consolidated 1500 Actives
[illegible]

TORONTO

TORONTO	Oct 16	Oct 15	Oct 14	Oct 13	1986 High	1986 Low
Metals & Minls	2,138.1	2,141.2	2,128.3	closed	2,442.85 (21/3)	1,917.4 (5/8)
Composite	3,829.8	3,817.3	3,818.1	closed	3,129.11 (18/4)	2,764.8 (17/2)
MONTREAL Portfolio	1,537.72	1,538.33	1,524.64	closed	1,823.33 (18/4)	1,388.6 (22/1)

* Indicates pre-close figure

Other markets (AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD)
[illegible]

** Saturday October 11: Japan Nikkei (C). TSE (C).

Base values of all indices are 100 except Brussels SE—1,000, JSE Gild—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

LONDON
Chief price changes
(in pence unless otherwise indicated)

RISES

Amstrad	129 + 5
BICC	255 + 7
Brit.&Commnwlth.	308 +10
Conroy Pet.	286 +20
Dwek	128 +12
Exco Intl.	280 + 7
Greggs	260 +10
Guinness Peat	94 + 6
Hargreaves	271 +15
Harrisons & Cros.	393 +20
Harr. Malay. Est.	98 + 6
Marks & Spencer	201 + 4
Mercantile House	292 + 8
Morgan Crucible	315* + 7
NMC Invs	165 +12
Nu-Swift Inds	186 +13
Pilkington Bros.	503 +20
Preedy (A.)	122 +10
Renold	54 + 5
Unigate	295 + 7
WPP	630 +30
Weir	92 + 6
Wigfalls	185 +10
Woodhead (J.)	91 + 7

FALLS

BP	666 − 7
C&W	324 −10
Christies Intl.	280 −20
Downiebrae	74 − 8
TDS Circuits	128 −23

* price at suspension

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14⅜	AAR s	.44	1.8	18	59	24⅝	23¾	24⅛	+⅜
30	21¾	AGT	.92	3.5		110	27⅛	26⅝	26⅝	−¾
33	13	APG s	.08	.3	14	249	29	28½	28⅞	+¼
25⅞	13¾	AGS			13	91	18½	18⅛	18½	+⅛
15	8⅞	AMCA			288	13	10½	10⅜	10½	+¼
62⅛	36	AMR			15	12067	62⅛	60	60	−1¼
27½	23¼	ANR pf 2.67		10.		1	26⅛	26⅛	26⅛	−⅜
13⅜	8¾	APL			6	4	12⅞	12¾	12¾	−⅛
16¾	10	ARX	.71t	6.2	11	71	11½	11¼	11½	−⅛
41½	28¾	ASA	2a	5.4		196	37⅜	36¾	37	−⅛
16⅝	9¾	AVX		3.2		61	10½	10⅛	10⅛	−¼
32	23⅞	AZP	2.72	9.3	8	2248	29½	29¼	29⅜	+⅛
55	27⅝	AbtLb s .84		1.9	20	5583	44⅝	43½	44½	+2
32	21	AccoWd.56		2.1	17	61	26½	26¼	26¼	−¼
14⅞	9	AcmeC .40		3.6		119	11¼	10⅞	11⅛	−¼
9¾	6¼	AcmeE.32b		5.1	13	66	6½	6¼	6¼	−¼
22⅝	17¼	AdaEx 1.90e		9.3		92	20½	20⅛	20⅜	+¼
33⅝	17⅛	AdmMl .40		1.6	11	58	25¾	24½	24½	−⅞
20⅝	12⅛	AdvSys1.45t		10.	12	570	13⅞	13¾	13⅞	+⅛
32⅞	12⅞	AMD				1806	14⅞	14½	14⅝	−⅛
12⅝	5⅜	Adobe n				96	6½	6¼	6¼	
18⅝	13¾	Adob pf 1.84		12.		3	15⅛	15⅛	15⅛	−⅛
20¼	15¼	Adob pf 2.40		13.		47	18⅛	18	18⅛	+¼
18⅝	7⅝	Advest .12a		.9	10	70	14	13⅝	13¾	−⅛

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32 1/2	16	PhelpD			38	365	21 5/8	21	21 1/8	-1/8
66	48 1/4	Phelp pf	5	9.5		16	52 3/4	52 1/2	52 5/8	+1/8
24	14	PhilaEl	2.20	10.	8	3810	22 1/4	22	22	-1/8
13 7/8	10 3/8	PhlE pf	1.41	11.		41	13	12 7/8	12 7/8	
13 1/8	9 5/8	PhlE pf	1.33	11.		67	12 1/2	12 1/8	12 1/8	-1/8
89 1/2	62	PhlE pf	7.85	9.9		z280	79 3/4	79	79 3/4	+3/4
12 7/8	9 3/4	PhlE pf	1.28	10.		61	12 1/4	12 1/8	12 1/4	+1/8
134 3/4	117 1/2	PhlE pf	17.13	13.		z250	127 1/4	127 1/2	127 1/2	+1/2
124	105 1/2	PhlE pf	15.25	13.		z890	116	116	116	+1
98	69	PhlE pf	9.50	10.		z280	94	94	94	+1/2
83 1/2	57 1/2	PhlE pf	7.80	9.9		z384	81	79	79	-2
80	55 1/2	PhlE pf	7.75	10.		z500	77 3/4	75 1/2	77 3/4	+3/4
18 5/8	12 1/8	PhlSub s	.94	5.3		44	18	17 3/4	17 7/8	
76	36 1/8	PhilMr s	2.30	3.2	13	8845	73 3/8	71 3/4	72 1/4	+7/8
18	9 7/8	Philipl s	.36	2.5	13	310	14 5/8	14 1/4	14 1/2	
88 1/4	53 3/4	Phillln pf	1	1.4		1	71	71	71	+3
13 1/2	8 1/4	PhilPet	.60	5.6	10	7308	10 3/4	10 1/2	10 5/8	+1/8
25 1/2	19 3/4	PhlPt pf	2.02e	8.7		172	23 3/8	23 1/8	23 1/4	
41 3/8	25 1/2	PhilVH	.40	1.0	15	64	40 3/4	39 3/4	40 1/4	+1/4
48 1/2	29	PiedA s	.32	.7	13	1185	u48 3/4	47 3/4	47 3/4	-1/2
59 1/4	48 1/2	PiedA pf				285	59	59	59	
22 1/4	16 5/8	PieNG s	1.20	5.6	15	51	21 1/4	21	21 1/4	+1/4
22 3/8	10 1/4	Pier 1 s			19	520	15 5/8	15 3/8	15 3/8	
11 1/2	7 1/2	PigRg n	.17e	2.1		289	8 1/4	8	8	
82 3/8	55 1/4	Pillsbry	2	2.7	15	1285	73 1/2	72 1/4	73 3/8	+1 1/8
29 3/8	15	PionrEl	.13e	.4		275	u29 1/2	28 1/4	29 1/2	+1 1/4
66	39 1/2	PitnyB	1.32	2.1	16	289	64 3/8	63 3/8	63 3/8	-1/8
136 1/2	79	PitnB pf	2.12	1.7		1	127	127	127	+1/2
[illegible]										
6 7/8	1 7/8	Saxon				64	2	1 7/8	1 7/8	-1/8
13 5/8	3 1/4	Saxon pf				4	3 1/2	3 1/2	3 1/2	-1/8
42 1/2	24 1/2	SCANA	2.24	6.1	13	3085	37	36 1/2	37	+1/2
88	48 1/4	SchrPl	.80	2.3	22	3724	80 7/8	79	79 3/4	+1/4
57 3/4	27 1/4	Schlmb	1.20	3.7	219	6110	33 1/4	32 1/2	32 7/8	-1/4
14 1/4	8 1/2	SciAtl	.12	1.3		418	9 1/2	8 7/8	9	+1/4
65 1/4	41 3/4	ScottP	1.24	1.9	13	988	u65 1/8	64 5/8	65	+1
18 5/8	13 5/8	Scotty	.60	4.0	15	185	13 3/4	12 3/4	13	-1/8
30 1/4	14 7/8	SeaCnt	.42	2.7		239	15 5/8	15 1/4	15 5/8	
14 1/8	6 3/4	SeaCt pf	1.46	15.		68	10	9 3/4	9 7/8	-1/8
16 7/8	10 1/2	SeaC pfB	2.10	17.		87	12 5/8	12	12 1/4	-1/2
[illegible]										
19	14 1/4	TwinDs	.70	4.4		13	15 3/4	15 5/8	15 3/4	+1/4
37 3/4	18 5/8	TycoL s	.40	1.1	18	840	36 5/8	35 1/4	36 1/4	+1 1/8
17 3/4	11 1/4	Tyler	.40	3.4	15	188	11 3/4	11 1/2	11 5/8	+1/4
		U U U								
64 3/4	45	UAL	1	1.7		5198	58 1/2	58	58 1/2	-1/2
24 1/4	19 1/4	UCCEL			22	341	24 1/8	23 3/4	23 7/8	+3/4
28 3/4	14 7/8	UDC s	2	9.1	5	108	21 7/8	21 3/4	21 7/8	+1/8
28 1/4	20	UGI	2.04	7.7		39	26 5/8	26 1/2	26 1/2	-1/4
13 3/4	9	UNCInc			19	38	10 5/8	10 1/2	10 5/8	
16 3/8	10 7/8	URS	.25r	1.6		103	15 1/2	15 1/4	15 1/2	+3/8
[illegible]										
60 1/4	28 1/8	WiscPL	2.96	5.5	13	177	54 1/2	53 5/8	54 1/4	+1/8
63	38 1/2	WiscPS	3	5.7	13	185	53	52 1/2	52 1/2	-1/2
38 1/2	22	Witco s	1.12	3.5	12	380	34	33 5/8	33 7/8	+1 1/8
13 7/8	8 1/4	WolvrW	.12j			132	9 5/8	9 5/8	9 5/8	-1/4
48	24 1/4	Wlwth s	1.12	2.6	14	1923	43 5/8	43 1/4	43 1/2	+1/4
5 3/8	2	WrldAr			2	73	3 7/8	3 3/8	3 7/8	+1/4
19 3/4	19 1/4	WrldVl n				15	19 1/2	19 3/8	19 1/2	
51	28 5/8	Wrigly s	.96	2.1	20	167	46 1/4	44 5/8	45 1/4	+7/8
4 1/8	1 3/8	Wurltzr				20	1 3/4	1 3/4	1 3/4	
17 1/2	10 1/2	WyleLb	.32	2.8	28	20	12	11 5/8	11 5/8	-3/8
25 3/4	15	Wynns	.60	2.6		64	23	22 7/8	22 7/8	-3/8
		X Y Z								
72 1/4	46 1/4	Xerox	3	5.5	17	2736	55 1/4	54 5/8	54 7/8	-1 1/8
58 3/4	54	Xerox pf	5.45	9.8		4	55 5/8	55 1/2	55 1/2	
28 1/4	20 5/8	XTRA	.64	2.8		242	23	21 7/8	22 1/2	-1/2
18 3/4	13 1/2	Yorkln n				177	18 1/2	17 7/8	18 1/8	-1/2
38	27	ZaleCp	1.40	4.2		36	33 1/2	33 1/4	33 1/2	+1/4
9 1/2	2 7/8	Zapata	.08j			327	3	d	2 3/4	-1/8
45 7/8	20 3/4	Zayre s	.32	1.5	14	2790	21 3/4	21 1/4	21 1/2	
29 7/8	18 1/4	ZenithE				332	20 1/4	19 7/8	20	
18 1/4	8	ZenLb s			13	889	9 1/4	9	9 1/4	+1/8
22 3/8	12 5/8	Zero s	.29	2.1	14	65	14	13 3/4	14	+3/8
45 3/4	32 3/4	Zurnin	1.32	3.5	14	136	38	37 5/8	37 3/4	
10 3/8	10	Zweig n				1158	10 1/8	10	10	-1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Shares edge ahead in brisk trading

IN THE BUSIEST session since stocks fell sharply in mid-September, share prices edged ahead on Wall Street yesterday to consolidate recent gains, *writes Roderick Oram in New York.*

Credit markets were not surprised by the small increase in industrial production but bond prices drifted lower because of the large supply of soon-to-be issued Treasury securities hanging over the markets.

The Dow Jones industrial average closed up 4.50 at 1,836.19. Broader market indices were also ahead with the New York Stock Exchange composite rising 0.46 to 137.82. Trading volume of 158.03 shares was the briskest since September 12, with advancing shares outnumbering declining by a ratio of 8 to 7.

Many market analysts remained cautious about the prospects of a sustained rise in stock prices pointing to the lack of leaders to pull the market up. But investors were encouraged by some good quarterly earnings and the markets' ability to remain firm in the face of a weak bond market and another bad day for IBM.

Among blue chips, Chevron was up $1½ at $44¾, McDonald's jumped $1½ to $61¾, General Electric rose $¾ to $77¼ and Woolworth gained $⅝ to $43½. United Technologies was unchanged at $42⅜ and General Motors was off $½ at $67⅞.

A number of telephone companies saw their prices slip despite higher profits. AT&T eased $⅜ to $24¾, Pacific Telesis was down $⅛ to $53 while in contrast Ameritech gained $2⅜ to $132¼.

Among technology stocks, IBM fell $1⅞ to $121⅛ after managing a partial recovery on Wednesday from a week-long decline on poor results. Honeywell was up $1⅛ to $69⅜, making up some of the ground lost earlier in the week after announcing lower profits.

Burroughs was ahead $⅝ to $69⅝ after announcing a jump in profits helped by its acquisition of Sperry. Digital Equipment, which reported doubled earnings, jumped $1⅛ to $95⅝.

Contrasting performances were turned in by forest products companies. Georgia-Pacific and International Paper were strongly ahead, boosting the former's share prices by $⅝ to $38⅜ while the latter was unchanged at $71½. Bowater Inc., the largest US newsprint producer, fell $⅝ to $29⅝ on news of sharply lower earnings.

Among other companies reporting higher earnings yesterday, Coca Cola rose $1⅛ to $39, Bank of Boston gained $1 to $40⅝, RJR Nabisco was ahead $⅝ to $52, Merck gained $1⅛ to $108⅝ and Philip Morris was up $⅝ at $72⅛ while American Express was down $1 to $58⅝ despite a 16 per cent increase in quarterly profits.

Takeover activity spread highly unusually into the utility sector with Public Service of Indiana reportedly receiving an offer of $17 a share from an investor group led by Mr William Ruckleshaus, the former head of the US Environmental Protection Agency. Its shares, which have traded heavily recently, rose $3⅝ to $17⅞ on volume of 5.3m shares, making it the second most active issue.

Shares of E. F. Hutton, the Wall street securities firm, fell back $2⅝ to $46⅝ in active trading. It repeated its denial that it had received a takeover offer and stressed it was not in negotiations with any other firm. American Express was believed to be a suitor.

Mayflower, the furniture moving and storage group, gained $⅝ to $28⅝. It said an investor group headed by some of its senior managers had proposed a buyout at $30.50 a share.

In the credit markets, bond prices fell as much as ¾ of a point as investors remained cautious because of the heavy Treasury funding schedule ahead.

September's modest increase in industrial production, announced yesterday, was slightly stronger than expected, but this did nothing to alter the view that, at best, the economy is growing sluggishly.

The price of the benchmark 7.25 per cent Treasury bond due 2016 was down in early afternoon by 1/32 at 93 15/32 at which it yielded 7.78 per cent. Most other Treasury bond prices showed similar easing.

The yield on three-month Treasury bills rose 8 basis points to 5.22 per cent, six-month yields were up 4 basis points at 5.29 per cent and on year bills up 4 basis points at 5.40 per cent.

The federal funds rate was unchanged at the end of the day at 5 15/16 per cent. Money supply increased sharply with M-1 up $7.7bn on the latest week; somewhat more than expected.

TOKYO

See-sawing ends on a downswing

AFTER FLUCTUATING wildly, share prices closed lower for the fourth consecutive trading day in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended at 16,871.89, down 98.23 from the previous day. Volume increased to 444m shares from Wednesday's 371m and declines outran advances by 458 to 338, with 147 issues unchanged.

The emergence of a buying mood was attributed to the 680 points fall between Monday and Wednesday which combined with an overnight gain of 31 points in the Dow Jones industrial average in New York.

Later, however, foreign sell orders placed with the Big Four securities houses in early trading increased sharply to 45m shares against buy orders for 7m. As a result, the Nikkei index dropped 277 points by mid-morning.

However, in afternoon trading, dealers and individual investors placed light buy orders, helping the market recoup some of its early losses.

Yesterday's erratic price movements appeared to reflect lingering investor concern over market direction.

Blue chips performed brilliantly. Anritsu Electric gained Y160 to Y3,530, Hirose Electric Y380 to Y3,300, Matsushita Communication Y170 to Y3,500 and JVC Y160 to Y3,400. Fuji Photo Film leaped Y130 to Y3,180 and Shiseido Y90 to Y1,870.

But Hitachi, which saw brisk trading in early October, rose only Y10 to Y1,050, while NEC closed Y20 lower at Y2,070.

Among large-capital issues which had been sold heavily, stocks related to redevelopment projects in the Tokyo Bay areas recovered slightly. Ishikawajima-Harima Heavy Industries, the second busiest issue with 20.12m shares changing hands, advanced Y10 to Y518. Tokyo Gas, third with 19.86m shares traded, jumped Y20 to Y1,040, and Nippon Kokan, fourth with 17.63m shares, finished Y5 higher at Y255.

Nippon Steel, though topping the active list with 26.13m shares, finished at Y196, unchanged from the previous day's close.

Leading issues expected to benefit from domestic demand expansion fared poorly, with Taisei shedding Y34 to Y802 and Mitsubishi Estate Y110 to Y2,230.

Bond prices continued to decline, depressed by dealers' selling. The market opened steady, mirroring the overnight firmness of the US bond market. The yield on the benchmark 6.2 per cent government bond, maturing in July 1995, hovered around 4.795 per cent in early trading, compared with Wednesday's finish of 4.800 per cent.

Later, however, some dealers placed sell orders, pushing the yield up to 4830 per cent.

AUSTRALIA

DESPITE LOWER bullion prices and consequently weakness among gold issues, Sydney turned bullish as hopes of an interest rate cut fuelled demand for industrials.

The All Ordinaries index crept 5.5 points higher to a record 1,353.2, surpassing the previous peak set on Tuesday.

Westfield, the property group, was one of the star performers, jumping $4.30 to A$30.00 after winning a A$790m tender for a majority stake in eight US shopping centres controlled by Macy's.

BHP, down 8 cents at A$8.50, and Elders, off by a similar amount at A$1.62, have been criticised by the Securities Commission over their crossholding deal earlier this year which prevented their possible takeover by Bell Resources.

STRONGER INDUSTRIALS helped pull Toronto out of a two-day slump to leave prices modestly higher.

Canadian Tire, which was halted on Wednesday, moved C$⅛ higher to C$15 after resuming trade.

Bell Canada recovered most of the previous session's losses, advancing C$⅞ to C$38 as the Federal Government ordered Bell to refund C$206m to customers and cut long distance charges.

Montreal was also higher

SINGAPORE

BRISK TRADING saw Singapore rise over a broad front, pushing the Straits Times industrial index to its highest level in two years, up 14.21 at 907.87.

Both foreign and domestic buyers were active, concentrating mostly on blue chips and trustee stocks, although scattered Malaysian issues found some support.

LONDON

Hesitancy ahead of City speech

HESITANCY ahead of the Mansion House speech by Mr Nigel Lawson, the Chancellor of the Exchequer, pulled London back from early highs yesterday sparked by Wall Street's firmer tone.

The FT Ordinary share index gained 1.20 to 1,277.6.

Bid rumours provided most of the interest in quiet trading. Pilkington added 20p to 503p amid speculation of a bid from RTZ, up 5p at 684p.

Morgan Crucible was suspended at 315p ahead of an announcement of Bell Resources' tender offer. McCorquodale was unchanged at 270p. It is facing a bid from Norton Opax, which rose 2p to 145p.

In the bond market most prices were unchanged with a few of the longer dates showing gains of ¼.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40-41

HONG KONG

PROFIT-TAKING eroded sharp gains from the previous session and the Hang Seng index dropped 11.88 points to end at 2,277.77, near its lowest point for the day.

Blue chips remained strong and corporate rumours propped up some other issues as the market appeared to be experiencing a normal consolidation move rather than a full-blown correction.

Cheung Kong was up HK$1.00 to HK$33.00 on talk of a restructuring of its corporate interests, while Hongkong Electric eased 10 cents to HK$10.30 amid rumours that it might launch a takeover bid for China Light, which advanced 50 cents to HK$20.70.

SOUTH AFRICA

A RECOVERY in the bullion prices gave a boost to golds which managed to recoup some of Wednesday's sharp falls.

Driefontein added R1.75 to R75.50, Buffelsfontein was R1 higher at R90, while Gold Fields and Free State Consolidated were steady at R61.50 and R52.50, respectively.

EUROPE

Rate worries whittle away early gains

SOME early gains in Europe, sparked by Wall Street's firmer overnight tone, were whittled away later in the session as bourses succumbed to a variety of domestic and other factors.

Frankfurt continued its downward trend amid nervousness over foreign exchange rates. The bourse was unable to sustain an early brief demand for blue chips and the Commerzbank index, set at midsession, lost 15.2 to 1,974.2.

Banks, which followed Deutsche down on Wednesday after a bout of profit-taking, again lost ground. Deutsche lost 50 pfg to DM 788.50, Commerzbank, also 50 pfg to DM 310 and Dresdner DM 1 to DM 401.50.

Insurer Allianz, which announced the price of its profit-participation certificates after the close, lost DM 25 to DM 2,190.

Stores provided one of the day's few highlights as buyers looked forward to a good Christmas shopping season. Karstadt added DM 16.50 to DM 483 and Kaufhof DM 6.50 to DM 536.50.

Among car-makers, Porsche, which was hit on Tuesday amid worries over dollar earnings from exports, added DM 1 to DM 1,000, but VW lost DM 420 to DM 473, and Daimler DM 16.50 to DM 1,201.50.

In the bond market, long maturities fluctuated between gains and losses of 15 basis points. The average yield of public authority bonds was steady at 5.94 per cent.

The Bundesbank, in its daily market-balancing operation, sold DM 61.7m worth of domestic paper after selling DM 1.3m on Wednesday.

Amsterdam closed steady despite some selling pressure and tomorrow's expiry of all October options on the options exchange. Wall Street's rise helped to prop up early sentiment.

Aegon, the insurance group, saw an increase in confidence which boosted its price FL 3.50 to Fl 193 amid short-covering. KLM, seeking lower fares on its Amsterdam-Gatwick route, lost 70 cents to FL 45.60.

Brussels also against the trend, managed to sustain some of its early gains following Wall Street's firmer close on Wednesday.

The bourse was helped in part by growing optimism that the Government would survive its present crisis as well as a technical reaction to the declines of the past few sessions.

Among the major gainers was Petrofina, the country's largest company which has signed a co-operation pact with the Soviet Union. It added BFr 30 to BFr 9,060.

Zurich also ended marginally higher, buoyed by transatlantic influences.

Bearer shares in Bank Leu, on further consideration of its improved quarterly results, added SFr 90 to SFr 3,790. UBS rose SFr 30 to SFr 5,920 and Swiss Volksbank SFr 20 to SFr 2,640.

Paris lost early gains to close easier. Foreign selling helped depress the market amid worries over France's FFr 2.9bn September trade deficit.

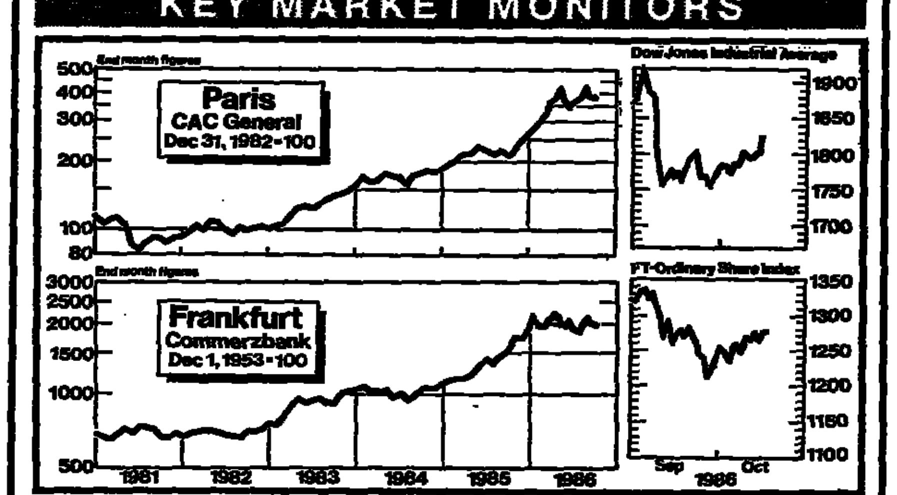
Among features Bouygues, expecting higher profits, lost FFr 22 to FFr 1,305.

Stockholm was generally steady as hopes grew that the public sector dispute could soon be resolved. However, worries continued over possible tax reforms that could hit investors.

Milan showed some firmness as buying emerged at the start of the bourse month although some caution was evident.

Oslo closed the session lower on balance.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 16	Previous	Year ago
DJ Industrials	1,836.19	1,831.69	1,368.50
DJ Transport	828.88	836.13	662.80
DJ Utilities	201.81	201.06	154.34
S&P Composite	239.53	238.80	187.98
LONDON	Oct 16	Previous	Year ago
FT Ord	1,277.6	1,276.4	1,043.3
FT-SE 100	1,605.0	1,607.5	1,326.2
FT-A All-share	794.51	794.45	650.21
FT-A 500	868.33	865.98	710.94
FT Gold mines	306.3	309.9	284.8
FT-A Long gilt	10.45	10.45	10.19
TOKYO			
Nikkei	16,871.89	16,970.12	13,036.6
Tokyo SE	1,417.22	1,425.40	1,037.48
AUSTRALIA			
All Ord.	1,353.4	1,347.8	1,033.9
Metals & Mins.	706.9	706.5	533.2
AUSTRIA			
Credit Aktien	230.91	230.25	187.26
BELGIUM			
Belgian SE	3,760.50	3,728.99	2,662.01
CANADA			
Toronto			
Metals & Minls	2,138.1	2,141.2	1,858
Composite	3,029.0	3,017.3	2,645.2
Montreal			
Portfolio	1,537.72	1,530.33	128.60
DENMARK			
SE	194.80	——	231.17
FRANCE			
CAC Gen	377.60	380.7	211.3
Ind. Tendance	145.10	147.4	76.8
WEST GERMANY			
FAZ-Aktien	660.67	665.29	559.28
Commerzbank	1,974.20	1,989.4	1,634.6
HONG KONG			
Hang Seng	2,277.77	2,289.65	1,618.37
ITALY			
Banca Comm.	765.73	753.77	396.05
NETHERLANDS			
ANP-CBS Gen	274.90	274.5	214.5
ANP-CBS Ind	275.90	275.5	188.5
NORWAY			
Oslo SE	370.56	369.82	375.74
SINGAPORE			
Straits Times	907.87	893.66	751.36
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,910.0	1,095.1
JSE Industrials	—	1,368.0	984.0
SPAIN			
Madrid SE	198.96	199.08	90.51
SWEDEN			
J & P	2,490.01	2,494.18	1,366.98
SWITZERLAND			
Swiss Bank Ind	563.40	562.2	491.4
WORLD	Oct.15	Previous	Year ago
MS Capital Int'l	343.9	344.7	227.6

COMMODITIES

(London)	Oct 16	Prev
Silver (spot fixing)	386.75p	388.45p
Copper (cash)	£916.50	£915.75
Coffee (Nov)	£2,267.50	£2,275.00
Oil (Brent blend)	$13.65	$14.15

GOLD (per ounce)

	Oct 16	Prev
London	$425.75	$435.25
Zürich	$425.625	$423.875
Paris (fixing)	$424.83	$423.68
Luxembourg	$426.25	$426.35
New York (Dec)	$427.4	$428.70

CURRENCIES

(London)	US DOLLAR Oct 16	US DOLLAR Previous	STERLING Oct 16	STERLING Previous
$	–	–	1.4370	1.4400
DM	1.9745	1.9740	2.8375	2.8425
Yen	154.25	154.15	221.75	222.00
FFr	6.4675	6.4650	9.2950	9.3100
SFr	1.6180	1.6145	2.3250	2.2350
Guilder	2.2325	2.2315	3.2075	3.2125
Lira	1,366.5	1,361.5	1,963.75	1,960
BFr	41.05	41.00	59.00	59.05
C$	1.3890	1.3890	1.9985	2.0000

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 16	Prev
£	11 7/16	11 7/16
SFr	4 1/16	4
DM	4 9/16	4 9/16
FFr	8¼	9¼
FT London Interbank fixing (offered rate)		
3-month US$	6	6
6-month US$	6	6
US Fed Funds	5 13/16*	5 13/16
US 3-month CDs	5.60*	5.60
US 3-month T-bills	5.16*	5.17

US BONDS

Treasury

		October 16* Price	October 16* Yield	Prev Price	Prev Yield
6⅞	1988	100 7/32	6.534	100 6/32	6.2690
7¼	1993	99 21/32	7.249	99 22/32	7.30
7⅜	1996	99 7/32	7.489	99	7.5522
7¼	2016	93 20/32	7.779	93 22/32	7.799

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Oct 16* Day's change	Yield	Day's change
1–30	156.06	−0.01	7.11	+0.00
1–10	149.72	+0.03	6.74	−0.01
1– 3	140.78	+0.07	6.26	−0.01
3– 5	152.53	+0.02	6.92	+0.02
15–30	178.88	−0.14	8.32	+0.01

Source: Merrill Lynch

Corporate	October 16* Price	October 16* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91.75	6.420	91.75	6.418
SCBT South Central				
10⅞ Jan 1993	106.75	9.449	106.75	9.45
Phibro-Sal				
8 April 1996	97.5	8.387	97.75	8.348
TRW				
8⅝ March 1996	101.5	8.511	101	8.589
Arco				
9⅜ March 2016	104.875	9.382	104.5	9.418
General Motors				
8⅛ April 2016	89	9.215	88.625	9.256
Citicorp				
9⅜ March 2016	96.5	9.736	96	9.789

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	95-06	95–11	94–24	95–07
US Treasury Bills (IMM)				
$1m points of 100%				
Dec	94.91	94.97	94.90	94.95
Certificates of Deposit (IMM)				
$1m points of 100%				
Sep	n/a	n/a	n/a	93.84
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	94.09	94.12	94.08	94.16
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	110–15	111–14	110–10	110–27

* Latest available figures